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## The Health Care Service Market for the International Consumer An Analysis of the Philippines

17 January 2005

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## Foreword

After the boom in the IT sector, especially the call-centre industry, some are talking about the new hope for the Philippine economy. They call it 'health tourism', or 'medical tourism' or even 'global health'. We will just call it simply HCSM, which stands for Health Care Service Market for the International Consumer. This analysis is a collaborative effort of the European Chamber of Commerce of the Philippines (ECCP) as well as the German Technical Co-operation (GTZ). The study looks at the concepts and developments of combined efforts in the Health Care and Tourism Industry in South East Asian Countries as well as the different market segments in the HCSM. The respective comparative advantages of the Philippines and the current developments together with a strategic framework are outlined thereafter.

With the information of the study on hand, GTZ and ECCP will now be in a much better position to present the findings to relevant stakeholders in the government and in the private sector in order to discuss the constraints of the sustainable market development and how it could be supported in a combined effort by the different involved parties.

The author of the study would like to acknowledge the invaluable support by the GTZ and the ECCP. Especially their unlimited trust made this research possible. Furthermore the effort of the interviewees, providing insightful information and therefore driving further the research process is particularly honored at this place.

**January 2005**  
GTZ & ECCP

## Executive Summary

1. Changes in the demography and social structure of foremost developed nations, lead to a new global movement. Consumers seeking health care and medical services are taking on longer journeys to receive medical care. Reasons are various, spanning from a general shift in preference towards a 'forced' choice. This study contemplates on the latter area. The increasing life expectancy and a decreasing fertility rate causes the so-called aging population problem. Life expectancy at birth in the year 2002 was around 80 years of age in most Western developed nations. The same can already be observed in the emerging economies (China, South Korea, Eastern Europe, etc.), where the standards of living are improving constantly. This leads to the fact, that the whole healthcare system will be increasingly overburdened, the services become more expensive and their quality will suffer. Waiting lists for treatments as well as for room in the facilities are getting longer. The provision of health care and medical services rests no longer assured.
2. The destinations of the consumers vary, from cross-border travel to overseas locations. The current lead regions are South Africa, the Caribbean and South East Asia.
3. Several terms for the new market are circulating, but due to the fact of their lacking official recognition this paper formulates a very own version: The Health Care Service Market for the International Consumer, abbreviated by HCSM.
4. The main competing countries in the South East Asian region are Singapore, Thailand and Malaysia. Having attracted around 600,000 international consumers in 2003, they position themselves with different strategies.
5. The Philippines has realized its potential and various stakeholders have launched different activities. Nevertheless, it surfaces that a clear, joint strategy is missing in the public as well as private sector.
6. The HCSM is mainly formed by two existing industries: The health care industry and the tourism industry. In the health care industry, the Philippine Standard Industrial Classification (PSIC) proposes five segments: a) Hospital services; b) general medical services; c) specialized medical services; d) dental service and e) deliveries and related services, nursing services, physiotherapeutic and para-medical services. The main bulk of establishments (74%) were hospitals, followed by medical clinics and laboratories (9%), health insurance companies (8%), HMOs (4%) and private practices (1%). The bed-to population ratio in 1998 was 1:811, which preferably should be 1:500. Employment in the broader health care industry, as accounted by the National Statistics Office in 2000 was around 15% (a total of 2,123,200). If one however takes only the major PSIC division, then the employment drastically decreases to 1.13% for the year 2004. The government expenditure allotted to the Department of Health has been gradually eroding the past years from 3.6% in 1999 to 2.79% in 2004 and the growth of the industry in terms of gross revenues is generally very slow at an annual rate of around 2 to 3%.

7. The tourism industry consists of the following four segments: a) Hotels and restaurants, b) travel agencies and tour operator services, c) Tourist guides services, d) other services (transportation and general tourism related services). Total visitor arrivals in 2004 saw a peak in the month January (207,755). Current estimates calculate more than 2 million foreign tourists from January to November, which is an increase from 2003 of 23%. The total expenditure by tourists recorded in 1998 stood at Php274 billion and created 22% of the total employment. The Department of Tourism has one of the smallest budgets in the national household, with only 0.27% of the total appropriations received in 2004.

8. There are basically four different market segments: a) wellness/ leisure, b) short-term medical service, c) long-term medical services and d) retirement. Subdivided in three service activities: Diagnostics, treatment and rehabilitation. The following describes the four market segments:

a) Wellness pertains mainly to spa services including all kinds of health treatment and partially health analysis and medical consultation. Cultural tourism, eco-tourism, beach or mountain holidays, sightseeing and others are involved tourism activities. There are crosscutting issues such as lifestyle changing (healthy nutrition, fasting, etc.) and physical educative activities (Yoga, Meditation, etc).

b) Short-term medical services involve health care provided for in hospitals and medical facilities, such as clinics. All kinds of cosmetic surgeries, as well as certain dental and eye care can be done at the fraction of the prices in developed countries.

c) Long term medical services refers to all kinds of medical care, such as cardiology, ophthalmology, cancer treatment, reconstructive surgery and other areas of the specialty medicine.

d) Retirement depends very much on the needs of the various age groups. Nursing (24h or stand-by) and care taking (grocery, cooking, entertainment) are the major activities involved. Community and other activities by the retirees are rehabilitation measurements supporting the general state of health and well-being.

9. The deep respect towards the elderly, anchored in the Philippines society, the high level of service orientation and the good English-speaking skills are crucial comparative advantages over the South East Asian competitors. The rich natural resources and wide variety of tourist destinations may additionally become a decisive factor for the choice of the international consumer.

10. Current developments in the Public Sector: a) The Department of Trade and Industry contracted a study on the Health Care Service Industry in 2001 and is currently establishing so-called medical economic zones to give way for the practice of foreign doctors in the Philippines. b) A new taskforce created by the President in later 2004, is tasked to drive the HCSM forward, consolidate all initiatives in one master plan and provide strong 'integrators' to cut through bureaucracy and circumnavigate 'vested' interests. c) A Philippine Retirement Authority was created in 1985, having its own accreditation guidelines for facilities (a total of 13 are accredited) it issued around 1000 life-long visas in 2004 alone. d) The Department of Tourism developed a 'Health Tourism Program' in July 2003 that emphasizes the

‘Spa Holidays’ and ‘Medical Holidays’. Working closely together with the newly organized (2004) Spa Association, new accreditation guidelines, an innovative concept of the Filipino massage and a reinvented role of indigenous healing/herbalist methods is developing.

11. Current developments in the Private Sector: a) St. Lukes Medical Center was accredited internationally by the JCIA in 2002, as the second from a total of five South East Asian hospitals. A liaison officer, connecting to foreign markets is foreseen for the future sale of its services. Currently, a small-scale treatment program for international patients from the islands of Palau and Guam (U.S. territory) is in place and a new tertiary hospital will be finished by 2008. b) Pricing is a challenge due to the independence of practicing doctors in the Philippines. c) The Asian Hospital Inc. has been taken over by Thailand’s Bumrungrad Hospital International (Bumrungrad Public Company, Ltd). d) The DTI and Japans largest health-care provider Tokushukai Medical Corp. agreed in 2004 to constructing a 1,000 bed hospital catering mainly to foreign patients (especially Japanese).

12. Legal Issues that have to be addressed: a) Qualification and licensing requirements for individual health professionals, b) approval requirements for institutional suppliers such as clinics and hospitals, c) rules and practices governing reimbursement under mandatory (public or private) insurance schemes and d) ownership of land by foreigners

13. For the private sector involvement a value chain analysis was first undertaken. **Support activities are:** The firm infrastructure in the market prescribes that especially quality standards and frontline services (customer relations in general) are a serious issue to be addressed. Inter-firm alliances and networks as well as public-private partnerships pose a specific potential in the development of the market. Human resource management involves recruitment and constant trainings. Information technology and services enabled by it are preferably at the core of the HCSM. The stable flow of supply, the price categorization and the manifestation of a price advantage are the main tasks in procurement. **Main activities are:** Inbound activities (supply of goods, education, training, infrastructure, financing, government facilitation, developmental support, accreditations, real estate development), operational activities (diagnostics, treatment, rehabilitation, marketing activities (promotion, creation of packages, pricing, awareness raising of potential) and service activities (immigration services, transportation, maintenance, communication, lodging, catering, business process outsourcing, security).

14. This preliminary analysis advanced in the expansion of an existing strategic framework. Next to the strategic expansion of the international trade in health services it maps the issues and challenges in the development of the Philippine HCSM. The following five points are achieved:

a) Adaptation to the to the Philippines’ setting: *Inter alia* to the four modes of international trade in services (GATS): Movement of the consumer from the targeted countries to the Philippines (retirees; wellness/ leisure seeking tourist; medical treatment seeking patients), movement of international medical personnel to medical zones, foreign direct investment in medical, tourism and retirement facilities and finally cross border trade (medical transcription, telemedicine, etc).

b) Finding the direct linkages between the health care industry and the tourism industry: These are retirement homes or facilities and the creation of HCSM packages.

c) Clarifying the involved support industries (selected from the main activities, identified in the value chain analysis).

d) Sketching the main stakeholders from the public and private sector and visualizing the prevailing challenges. These are international accreditation, international ratings and reputation of the Philippines, quality and standards in health services and tourism-(related) services and the creating of HCSM packages.

15. Finally, the following eight issues are pointed out in order to receive attention by the respective stakeholders. Pulling together the resources and initiatives for the sustainable development of a unified Filipino strategy will be the key in accelerating the growth of the HCSM.

a) Creating a comprehensive development program and facilitating unified promotion. An example may be a match-making conference, linking the various stakeholders (public, private) and exchanging expertise and information with possible follow-up (joint) action.

b) The quality and standards in health services as well as tourism-related services should be adapted to international guidelines. Tie-ups with the insurance companies in the target countries could be established in order to apply for further international accreditations.

c) A much harder to tackle problem is the relatively negative international reputation of the Philippines as a travel as well as investment destination. Strong promotional effort on all levels is needed.

d) The legal and regulatory environment has to be adapted. GATS regulations can be a pillar of orientation.

e) Human resource development is important. Frontline staff training for all involved facilities as well as a standardized, high quality, service-directed education together with language trainings is needed for the healthcare as well as tourist related services.

e) Involve the academe in the creation of baseline data and studies about the various aspects of the HCSM. Three different studies might be considered primarily: An 1) inventory study on the Philippines, a 2) target market study and a 3) study on the international accreditation and insurance regulation, considering reimbursement and compensation issues. Consequently, Short-, mid- and long-term promotion programs will have to be developed for the different target markets.

f) The discrimination of local health care consumers should be avoided. The awareness for the need of continuously developing the health care sector and improving the access for the poor to public health insurance, medical services and medicines should be ensured and positioned high on the government agenda.

g) The HCSM should be applied to GTZ activities in Negros Occidental.

## 1 Introduction

The movement of consumers for seeking various forms of health care in a foreign country is a new phenomenon. Demographic challenges in developed countries is the major reason. The increasing life expectancy and a decreasing fertility rate are the main causes for the aging population problem. Life expectancy at birth in the year 2002 was around 80 years of age in most Western developed nations. The same can be already observed in the emerging economies, where the standards of living are improving constantly.

Category	Germany	U.K.	France	NL	U.S.A	Japan	Korea	China	Philippines
Life expectancy at birth, 1990	75.1	75.6	76.7	76.8	75.2	78.8	70.2	68.8	65.6
<b>Life expectancy at birth, 2002</b>	<b>78.1</b>	<b>77.5</b>	<b>79.1</b>	<b>78.2</b>	<b>77.3</b>	<b>81.56</b>	<b>73.9</b>	<b>70.6</b>	<b>69.7</b>

Table 1: Average Life Expectancy at Birth,

Source: Compiled from World Development Indicators, UN, 2005

This means that the percentage of elderly in the population increases tremendously. For example in Germany, France or Japan, the percentage of people aged 65 or above was between 16 and 18 percent in 2002 (UN, 2005). Not only leads this to the fact, that the whole healthcare system will be increasingly overburdened, but the services become more expensive and their quality will suffer. The provision of health care and medical services rests no longer assured and therefore the society as a whole is affected.

Therefore, new solutions are needed to find a way out of the dilemma. Next to major health care reforms in the respective countries, consumers are discovering the possibility of using the facilities of other countries. This movement shows all forms, from daytravelling to neighbouring countries towards long-term stays overseas. Currently, the main destinations for overseas travel are South East Asian Nations, the Carribeans and South Africa. In 2003, Singapore, Malaysia and Thailand have attracted around 600,000 visitors (ECCP, 2004a). Especially, South East Asia is attracting its clientele, by offering a clear price advantage. The same services and medical treatments are done at a friction of the price of the home country. Another incentive poses the possibility of combining the health care treatment with the enjoyment of extended services, however still not exceeding the prices of the home country. An observation in the target markets is the general rising openness to travel long distances and particularly to exotically perceived locations. This phenomenon is not only seen in the younger generation, but also observable in higher age groups (Padojinog & Rodolfo, 2004). Also ever-innovating solutions in IT and the aviation industry, makes distances shrink and brings the differences in the world closer together.

These global preconditions trigger the growing interest of developing nations to ensure their share in the new market. One such country is the Philippines, which has realized the huge potential for employment creation and economic growth. Various initiatives from the private as well as public sector are launched to develop the market. Nevertheless, a clear strategy and unified direction is missing.

The German Development Cooperation (GTZ) and the European Chamber of Commerce of the Philippines (ECCP) are concerned in supporting a sustainable development of the market, trying to slow the brain-drain of doctors and nurses, creating employment opportunities locally, supporting SME-service providers in the supply-chain and promoting investment possibilities to European countries. Therefore this research, was conducted in order to create a baseline study. The objectives of this study are two-fold. Describing the market, its segments and current developments is the first part. In order to do so, a definition is introduced and activities from the competing South East Asian countries are summarized. Subsequently, the main industry as well as identified stakeholders in the Philippines are explored in general and their possible (or current) involvement in the new market in particular. The second objective was to research on the private sector involvement. These two objectives are compiled in a strategic framework, that tries to comprehensively visualize the potential market, including the public and private sector as well as prevailing issues for development

## **2 The New Market and its Developments in South East Asian Countries**

In the exploratory process various information has been found, ranging from articles in Newspapers to academic university studies. From the respective publishing years it becomes obvious, that the first recognition of the potential new market does not date further back than around the year 2000. The concept is not unified or consistently defined as yet. Therefore the author refrains from using any of the merely different designations, but offers another term.

### **2.1 Definitions**

The World Tourism Organization defines Health Tourism as: “Tourism associated with travel to health spas or resort destinations where the primary purpose is to improve the traveller’s physical well-being through a regimen of physical exercise and therapy, dietary control, medical services relative to health maintenance.” (2003) This definition fits to the concept of people travelling within their countries to the e.g. Sauna, Massage or Hot Springs and partly is applicable to the recent developments in International Health Tourism. However it excludes completely the fact that it becomes a necessity for many people to undergo medical treatment or live in a retirement home abroad, because these services are either too expensive and/or unavailable in times of need in their home countries.

Other terms, such as “Medical Tourism” or “Global Health” are as of today not yet consistently defined. That is why in the following a new term for the scope of this research will be provided, consisting of two parts, including the new market and its target consumers.

Following the characterization of the tourism industry, there are four activity phases involved. The Pre-travel activity, the travel itself, the activities at destination and the post-consumptive behaviour of the visitor (Idrovo&Boquiren&Valdez, 2004). That means a visitor coming to the Philippines in order to avail of certain health care or wellness services is statistically part of the tourism industry, however the activities

this person follows (see table 8, on page 19) are mainly part of the Health Care Industry. Additionally, there are certain services in the pre-travel activity and the post-consumptive behaviour, which are also part of the health care industry of the destination country. Therefore, the close interlinkage of the two industries emphasizes the importance of their efficient cooperation. Moreover, for marketing reasons, care should be given for using the term tourism, as no health insurance would pay for the holiday of its clients. Consequently, the new market could be called Health Care *Service* Market. Stressing the word services, to include the additional activities available, possibly categorized as tourist activities.

The second part of the definition involves the target market, including not just potential patients. Visitors using spa services for example are not necessarily patients in the medical sense. Therefore, also in line with Gonzales' Strategic Framework (see Appendix D), the term 'consumer' is used. Finally, in order to include, what is especially typical for the Philippines – its diaspora overseas or the *balikbayans*- the term 'international', instead of 'foreign' consumer is used. All the elements taken together results in a long description of the market as: "Health Care Service Market for International Consumers". For this paper, an abbreviation will simply be HCSM. Chapter 3.5 will sketch the market closer.

## 2.2 Experience from other South East Asian Countries

Due to the missing official classification of the market, the various data available for the leading South East Asian Countries are highly differing. The actual number of consumers, growth rates and industry projections are various, inconsistent and most often not based on comprehensive research, but empirical assessment.

In the first paragraph an analysis of the three lead countries in the Asian region will be done. These three countries are Singapore, Thailand and Malaysia. Recent entrants are India and Hong Kong. They too should be taken as very serious competitors, but minimal information has been found.

Concerning the accreditation of the quality and standards of hospitals, the most recognized organization discovered, was the Chicago-based Joint Commission on Accreditation of Healthcare Organizations (JCAHO). It is known to be the oldest, private, independent, non-profit organization to accredit health care organizations in the U.S (www.dqmd.de). The international accreditations in fact are done in the name of the Joint Commission of International Accreditation (JCIA), who is part of JCAHO. Up to now JCAHO accredited around 80% of all hospitals in the U.S. and JCIA five hospitals in the Asian region. There is also a European organization on quality standards, called EFQM. Another study should look at the international quality, standards and consequent accreditations by health insurances further.

### 2.2.1 Singapore

Singapore has a reputation for delivering quality services and defines its competitive advantage by setting a high standard in health care with its state-of-the-art hospitals (Rodolfo, 2004). The two most renowned hospitals are Johns Hopkins and the National University Hospital. They have been accredited by JCIA in August 2004. In 2002, accreditations by the International Standardization Organization (ISO) have

been given: ISO 9001: 2000 Quality Management system, ISO 14001: Environmental Management System and OHSAS 18001: Occupational Health and Safety Management System ([www.jhnuh.com.sg](http://www.jhnuh.com.sg)). Singapore is not focused on cost-leadership, but differentiates itself by excellence in medical expertise, efficiency by one-stop centers in key regions and high standards in treatment of illnesses, health and well being programs (UA&P, 2004). There is a strong focus on the following services:

- Health screening
- Medical wellness
- Aesthetic and anti-aging programs

The government supports this action by ensuring standard prices, supervision and strategic development of the healthcare market (ECCP, 2004). The multi-agency government 'Singapore Medicine' was set-up in October 2003 as a joint agency of the 'Singapore Tourism Board', the 'Economic Development Board' and 'International Enterprise Singapore'. Forecasted by this agency are revenues of US\$2 billion with one million international patients in the year 2012. This might be considered an ambitious number given an estimated 150,000 foreign patients with revenue of US\$345 million in 2000. Nevertheless it is stated that 70-85% of the foreign patients came from Indonesia and Malaysia (Rodolfo, 2004). In the last years, Singapore is increasingly targeting customers from the developed countries. Making it easier for them to use the services with so-called "integrators of services" that offer the whole range of services, such as flight and accommodation arrangements, medical treatment and health care programs, tourist attractions, entertainment and shopping possibilities in one-shop centers. ([www.singaporemedicine.com](http://www.singaporemedicine.com), 2004)

### 2.2.2 Thailand

The Bumrungrad Hospital in Bangkok was the first to be accredited by JCIA in the Asian region in February 2002. Next to that it has earned the ISO 9001: 2000 Quality certification, ISO 14001 environmental management certification and the HA Full Thailand Hospital Accreditations. The hospital claims on its web page being the first in Asia, to have earned all four quality awards ([www.bumrungrad.com](http://www.bumrungrad.com)). Thailand covers the following services (ECCP, 2004):

- Treatment of tropical and infectious diseases
- Cosmetic and reconstructive surgery
- Cardiac surgery and post-operative care
- Dental services
- Treatment of bone related ailments and cataracts
- Gender re-assignment surgery
- Traditional Thai massages
- Meditation centers
- Pharmacology

The strategy is in contrast to Singapore on cost-leadership. The services can be 50-70% cheaper, which led to 350,000 patients in 2003 treated in Bumrungrad. A total of US\$470 million in revenue was generated. Bumrungrad noted an increase of 57% in international patients between 1999 and 2001. The government is the major promoter of Thailand as a health tourism destination. Various agencies exist. The Tourism Authority of Thailand (TAT) is the lead organization and responsible for planning, marketing and public relations. The 'Organized Interagency Committee' unites the Department of Export Promotion, the Ministry of Public Health and Foreign Affairs, the Immigration Bureau, TAT and the Thai Hotel as well as the Private Hotel

Association and finally Thai Airways International. This Committee closely monitors and controls the standardization of prices and services. Additionally, there is a government joint venture on Retirement facilitation, namely the Thai Longstay Management Corp. Ltd. Various complete packages are available, they typically include the flight, transportation, accommodation, diverse medical check-up/treatment packages with a concluding after treatment care at one of the beautiful beaches (Rodolfo, 2004).

### 2.2.3 Malaysia

Up to today, Malaysia does not have a hospital accredited by JCI, but 35 private hospitals are currently serving international patients. Services offered are the following (ECCP, 2004):

- Recuperation and rehabilitation therapy
- Cosmetic surgery
- Cardiology
- Ophthalmology
- Orthopedics
- Health screen packages
- Curative/Therapeutic services
- Dental services

The National Committee for the Promotion of Health Tourism was created in 1998, after the government defined 'health tourism' as a driver of growth. It is comprised of airlines, hospitals, travel and tourism agencies and the Malaysian Industrial Development Authority, who work on strategic planning, marketing, incentives and accreditation. Together with the Association of Private Hospitals Malaysia (APHM) the pricing of health packages and medical procedures is negotiated and lower as well as upper boundaries set (Rodolfo, 2004). Its overall strategy is difficult to assess. Services are more expensive than in Thailand, but quality might even be lower, because of no international accreditation. Furthermore, services are not focused on a certain area, which means a niche strategy is neither applicable. One might conclude that Malaysia is "stuck in the middle" as Porter (1998) defined in his competitive advantage matrix. Not necessarily a negative conclusion, as this country may be flexible and adaptable to new developments.

Different data was found about the actual number of international patients. One source (ECCP, 2004) indicates 400,000 in 2002 and another (Rodolfo, 2004) 100,000 in 2003, which is supposed to be an increase of 18.3% from the previous year. Revenue created was US\$10 million. This difference obviously shows missing classification of who is accounted for to be an international patient. The forecasts of US\$1 billion revenue in 2010 are rather bold, given the low current number. The current nationality of customers is mainly Indonesian (60%), followed by people from Brunei (10%) as well as Vietnam, Singapore and Thailand. In the future, Malaysia plans to target the Middle East more aggressively. The religious parallel might be a comparative advantage.

#### 2.2.4 India

The biggest Hospitals in India are the Apollo and Escort Hospitals. Not internationally accredited by JCIA, they offer a wide range of services. Those are:

- Cardiac Surgery
- Cancer Treatment
- Ophthalmic procedures
- Comprehensive Check-ups
- Hip replacement
- Kidney/ liver transplant
- Dental treatments
- Wellness services such as Yoga, meditation, ayurveda, acupressure
- Rejuvenation therapy

There is a focus on tie-ups between hospitals in different regions, such as Mauritius (with a large Indian community), Tanzania, Bangladesh, Yemen, as well as Western countries. The Ministry of External Affairs encourages a so-called 'medical diplomacy', meaning that public officials are encouraged for treatment in India. A task force (FICCI-WRC) as joint collaboration between the Federation of Indian Chambers of Commerce and Industry and the Western Region Council was set up for promotional reasons (ECCP, 2004). New ideas are developed to make India more attractive, which might signify a focused niche strategy of the country in developing its health care service market. One is about 'tele-medicine', which means an interaction between Western and Indian doctors about the diagnostics of the health problem, with the ultimate goal of sending the patient out to India for treatment. The other initiative concerns transportation of the patients. There is a vision of employing charter flights with doctors and nurses on board (The Economist, 2004).

Last year (2003) some 150,000 patients were attracted, coming mainly from the Middle East and South Asian countries (Rodolfo, 2004). In a study conducted by the consultancy of McKinsey and the Confederation of Indian Industry (CII) forecasted annual revenue was US\$1.1- 2.2 billion in 2012 (The Economist, 2004).

#### 2.2.5 Hong Kong

The Institute for Health Policy and Systems Research seems to be the leading think-tank to study and drive the development of Hong Kong's Healthcare sector. In 2004 the chairman Geoffrey Lieu defined steps for the stakeholders, including the government to undertake and transform the healthcare sector in a strategic industry. A first step is to develop the Hong Kong healthcare brand, together with enhancing a greater system transparency. The third step speaks about the strengthening of a market orientation and the corresponding mindset. Afterwards, the cost of healthcare services in order to stay competitive vis-à-vis other South East Asian countries are envisaged (Lieu, 2004, p.2).

Major thoughts are devoted on how the healthcare system can be transformed to serve its domestic increasing elderly population, however by the same token, this policy review will also support the international movement of consumers to Hong Kong. The market is still very much in the beginning and about to define its competitive strategy. Nevertheless, pulling its existing resources together and strengthening them, it might become a serious competitor in the health care giving bracket soon.

### 3 The HCSM in the Philippines

Having named what might become a new industry in the Philippines it is necessary to describe the current market from where the new niche will be developed and classify the possible market segments. Afterwards, the potential international target markets for every segment will be considered. The advantage of the Philippines is pointed out subsequently, followed by a summary of the existing action and plans of the Philippine government institutions and the private sector players.

#### 3.1 Methodology

The information gathering about the two industries, and a total of 49 exemplary interviews with various possible stakeholders has been taken place in the month of November and December of 2004 (see Appendix A). The finding of interview partners oftentimes was very informal and several networks have been used throughout the process. Also the collecting of the material was not easy and most of the times its existence only pointed out during the interviews. Next to several meetings with key informants in and around the National Capital Region, two series of interviews have been done first in Negros Occidental, mainly around Bacolod. Secondly, in Cebu and Mactan Island. GTZ defined the potential for the tourism industry in Bacolod with a sub sector analysis. Nevertheless, the state of its development is much less than in Cebu. That is why valuable insights from the largely different experiences could be derived.

By researching on the new phenomenon in the Philippines, it became clear that a classification of the market is needed and an identification of the possible product categories. Several stakeholders are involved, not yet visibly and efficiently working together. From a theoretical perspective it made sense to explore both the Health Care Industry and the Tourism Industry in the country as these two industries are the main supplier of services for the HCSM. The linkages between these industries and the stakeholders involved are examined, which leads to a Strategic Framework for the Development of the HCSM. Another closer look was taken at the private sector involvement. If one thinks along the value chain, there are various industries and markets scattered around, potentially profiting from the growth of the HCSM. This means, the prospective for increasing employment can be established in a much larger scale. A forecasting model will not be developed in this report. Instead, usage of the Philippine Industry Classification and a Value Chain Analysis shows the involved business sectors.

#### 3.2 The Health Care Industry

The Department of Health did not yet undertake an analysis of the Philippine Health Care Industry. Two other groups of authors, researching on the industry were identified. These are Project Head Dr. D.M. Edralin with Mr J.B. Decolongon, contracted by the Bureau of Investment (BOI) and Senior Health Economist Ms. J.C. Dacany from the University of Asia and the Pacific (UA&P).

The study by Edralin & Decologon (2001), pointed out, that there are five market segments, classified in Section 9, Division 93 of the UN Provisional Central Product Classification (CPC):

- Hospital services
- General medical services
- Specialized medical services
- Dental service
- Deliveries and related services, nursing services, physiotherapeutic and para-medical services

In the Philippines, the health service industry is covered by the Philippine Standard Industrial Classification Major Division N (Health and Social Work) no. 85 – Hospital activities and medical and dental practices (NSCB, 2004).

General statistics from the above mentioned sources sometimes date back to 1994. After own investigation it was realized that even up to today, most of these data were not yet updated by the statistical offices. Ms Jovy C. Dacanay informed to be currently working on a health care industry analysis and may be contacted for follow-up. For now, the given data is employed, providing for a general overview of the industry.

The healthcare services industry in the Philippines 1997 consisted to 74% of hospitals, 9% of medical clinics and laboratories, 2% of dental child care clinics and laboratories, 1% of private practices, 4% of HMOs and to 8% of health insurance companies (Dacanay & Ramento, 2000).

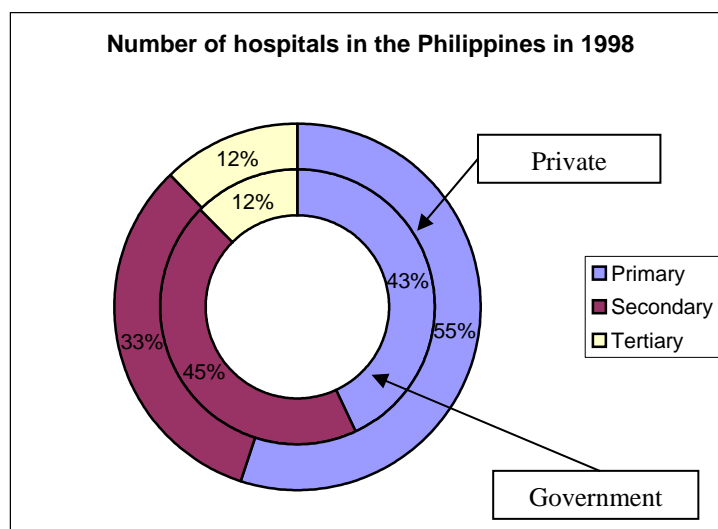


Figure 1: Distribution of Hospitals,  
Source: Compiled from DOH, 1998

There are three types of Hospitals in the Philippines: Primary, secondary and tertiary types. In Figure 1, the outer ring shows the private hospitals and the inner ring the government-owned hospitals. In 1998, there were a total of 1172 private hospitals with 39,830 beds and 645 government-owned hospitals, providing 44,818 beds. The DOH prescribes a bed-to-population ratio of one bed for every 500 persons, however this ratio is currently 1:811. By excluding the National Capital region, where there is currently the highest penetration rate, this ratio rises to 1:1,024.

Only the tertiary hospitals are interesting for the International Customer, as they have the quality and specialities needed. The DOH defines the tertiary level as being “composed of speciality centers, specialized hospitals, medical centers, regional hospitals and provincial or general hospitals. Tertiary hospitals have capabilities and facilities for providing medical care to cases requiring sophisticated diagnostic and therapeutic equipment and the expertise of trained specialists in the sub-specialities. Special and speciality, in particular, as equipped with expensive and sophisticated diagnostic and therapeutic facilities for a specific medical problem area”. (Dacanay et al., 2000, p. 8)

That is why the DOT, as part of its “Health Tourism Program” (which will be more closely described in 3.7.1) developed accreditation guidelines for tertiary hospitals. At the end of 2004, four tertiary hospitals were accredited by the DOT. These are St. Lukes’s Hospital, Medical City, Capitol Medical Center and the Asian Hospital. Only St. Luke’s Hospital, however was accredited by the JCIA in 2002. Nevertheless, this is an achievement. As was mentioned in paragraph 2.2 only four other hospitals are accredited in South East Asia, showing the strict rules and standards, set by this most acclaimed international accreditation organization.

In terms of employment, the percentage of total employment was constantly increasing in the years of available statistical consideration. In the ten year span from 1994 to 2004 the amount of employment approximately three-folded.

	1991	1992	1993	1994	2003	2004
<b>Employment (year average)</b>	79,644	93,605	102,115	103,160	370,000	360,000
<b>Total employment in RP (in thousands)</b>	22,979	23,917	24,443	25,166	31,553	31,733
<b>As % of total employment</b>	0.35%	0.39%	0.42%	0.41%	1,17%	1,13%

Table 2: Compiled Philippines Employment Data of the Health and Social Work Major Division N  
Source: Edralin et al., 2001 & NSCB, 2004b

The number of employed people in the broader health care industry in 2000 was 2,123,200, whereas around 70% are working directly in the public medical, dental or other health services. Nevertheless, the number of newly registering health professionals is dramatically decreasing. The main declining areas are nursing, x-ray technology, midwifery and pharmacy. The profession of physical and occupational therapy is rising. However, the jump of registrations in 1999 of physical therapists from just 164 to sudden 2,141 could not be sustained and was down again to 250 the year after.

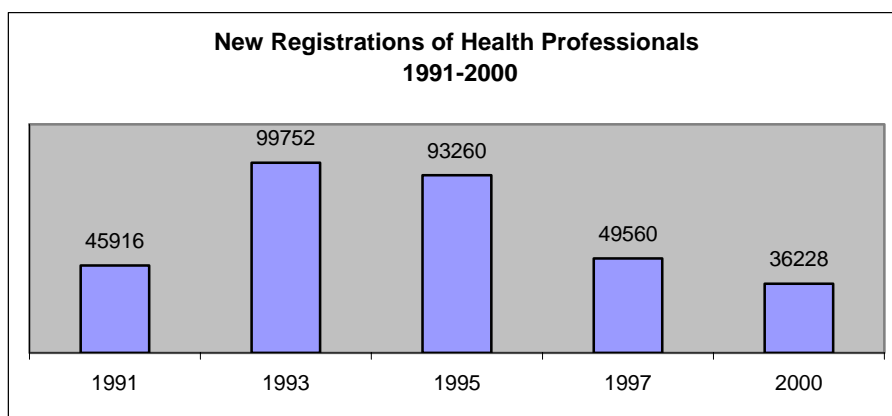


Figure 2: New Registrations of Health Professionals  
Source: Compiled from DOH (2000)

The government expenditure allotted to the Department of Health has been gradually eroding the past years from 3.6% in 1999 to 2.79% in 2004.

	2003 (actual)	2004 (adjusted)	2005 (proposed)
Total National Budget (in thousand)	407.133.223	373.213.407	343.377.789
DOH Appropriation (In thousand)	9.858.511	10.427.075	9.826.727
% of DOH in relation to National Budget	2.42%	2.79%	2.86%

Table 3 : Total obligations and proposed new appropriations of the Department of Health,  
Source: Compiled from DBM, 2005

Edralin et al. (2001) points out, that despite this reduction, the private sector has grown incrementally, by a revenue increase of more than 70%. An analysis (Edralin et al., 2001, p. 20) of the top 19 private and social work services in 1999 derived a gross revenue of Php 7.93 billion. The computed capital-output ratio is 1.07, meaning that every peso invested multiplies revenue by 1.07 pesos. The index of profitability of the industry is 0.041. This index shows that each peso of the asset contributes to 0.041 worth of net income after tax. Dacanay (2003), however points out that the growth of the industry in terms of gross revenues is generally very slow at an annual rate of around 2 to 3%.

### 3.3 The Tourism Industry

Tourism and travel related Services are covered by category 9 of the Services Sectoral Classification List in GATS. Under the UN CPC, there are four market segments listed:

- Hotels and Restaurants (Including catering)
- Travel agencies and tour operators services
- Tourist guides services
- Other

All other service activities, such as transport services, business and distribution as well as recreational, cultural and sporting services are placed under general services categories.

Following Idrovo & Boquiren & Valdez, 2004 there are several components in the tourism sector, that have to interact for the tourism industry to be developed further. The identification of the respective key driver per component will be done in chapter four.

<b>Component</b>	<b>Description</b>
Primary Resource base	Natural environment, heritage, culture, towns and villages, outdoor activity
Secondary resource base	Entertainment, shopping, festivals, events and other built attractions
Tourism facilities and services	Services and facilities necessary to enable tourists to access and enjoy the resources and products available
Business Development Support System	Sustainable support system which can provide tourism-based and related enterprises with business development services and technical and vocational education that will help them improve their market competitiveness
Infrastructure	Roads, communication facilities, power and water facilities
Management of the sector	Appropriate institutional arrangements/ structures, sectoral policies, community involvement and environmental management

Table 4: Components of the Tourism Sector  
Source: Adapted from Idrovo et al., 2004

In the Philippines, tourism as a whole is not represented under one classification (NSCB, 2004). Several divisions form the tourism industry. This is first, major division H with No.55 – hotels and restaurants. Secondly, major division I (Transport, Storage and Communication) with no. 60 – Land transport, no. 61 – water transport, no. 62 – air transport and no. 63 – supporting and auxiliary transport activities, activities of travel agencies. Lastly, major division O includes under no. 93, the Recreational, Cultural and Sporting Activities.

Total visitor arrivals in the Philippines are varying per month. A peak in 2004 was recorded in the month of January (207,755) and a low in the month after (February: 177,104). Responsible for this sudden downturn was most likely the bomb explosion on a ferry in the beginning of February. Nevertheless, the numbers are constantly increasing. The amount of total visitors grew between January to November in 2003 from 1,668,910 by 23% to current estimates of more than 2 million foreign tourists in the same time span. The following table shows the most frequent visitors per country.

<b>Rank</b>	<b>Country</b>	<b>Jan-Nov 2004</b>	<b>% Share</b>	<b>Jan-Nov 2003</b>	<b>Growth Rate</b>
1.	USA	424.190	20,7%	332.714	27,5%
2.	Japan	348.472	17,0%	289.499	20,4%
3.	Korea	340.486	16,6%	269.641	26,3%
4.	Hong Kong	149.617	7,3%	125.250	19,5%
5.	Taiwan	105.657	5,1%	83.840	26,0%
6.	Australia	74.532	3,6%	58.268	27,9%
7.	Singapore	55.605	2,7%	46.573	19,4%
8.	Canada	54.489	2,7%	42.817	27,3%

9.	United Kingdom	49.412	2,4%	40.731	21,3%
10.	Germany	39.733	1,9%	33.013	20,4%
11.	China	36.203	1,8%	29.093	24,4%
12.	Malaysia	31.455	1,5%	27.808	13,1%

Table 5: Rank per country

Source: Adapted from DOT, 2004, Data from: A/D Cards & Shipping Manifest

The total expenditure by tourists was recorded at Php274 billion in 1998. The value added by the tourism industry was estimated at 13% of the GDP for 1998, representing Php334 billion (NSCB, 2005).

Employment generated was 22% of the total employment in the Philippines in 1998 and increased from 1994 at an annual rate of 6%. On average it was computed, that more men (63%) than women (37%) are employed by the tourism industry (NSCB, 2005). The following table compiles the employment in the major industry groups that are part of the tourism industry. Unknown to the author how the employment was calculated in 1998, the data liberally taken from the three divisions only accounts for 12 to 13 % of employment generated by the tourism industry. It is clear that general services such as business and distribution services as well as other private sector activities that are part of the tourism industry (please refer to chapter 4) are not yet included. However considering the fact that not all parts of the Major Divisions cater to the tourism industry either, the given estimate may not be very much higher in reality.

	October 2003	October 2004
<b>Major Division H:</b> Hotels and Restaurants	793	798
<b>Major Division I:</b> Transport, Storage and Communication	2,352	2,445
<b>Major Division O:</b> Other Community, Social & Personal Service Activities	851	810
<b>Total Employment</b>	31,553	31,733
% of total employment by Major Division H+I+O	12,67%	12,78%

Table 6: Employed Person (in thousands) in the Tourism Industry per Major Industry group

Source: Compiled from NSCB (2004b)

The lead government agency of the tourism industry is the Department of Tourism. It has one of the smallest budgets in the national household, with only 0.27% of the total appropriations received in 2004.

	2003 (actual)	2004 (adjusted)	2005 (proposed)
Total National Budget (In thousand)	407,133,223	373,213,407	343,377,789
Appropriations DOT (In thousand)	976,742	1,008,400	1,121,727
% of DOT in relation to National Budget	0.24%	0.27%	0.33%

Table 7: Total obligations and proposed new appropriations of the Department of Tourism  
Source: Compiled from DBM, 2005

### 3.4 Health Care and Tourism combined

In order to visualize the service activities and different market segments, that are found in the HCSCM, a matrix was conceptualised. It incorporates the findings of two researches by Gonzales et al (2001) and ECCP (2004a). The former defined three categories of service products, which are wellness, treatment and rehabilitation. In the author's opinion, the wellness category is reflected in both treatment and rehabilitation and therefore not a different category. Wellness is in fact a whole market segment, rather than a service activity. Thinking of the logical activity chain, the area of diagnostics is missing in Gonzales service categories and therefore added to the matrix.

The other research by the European Chamber of Commerce of the Philippines (2004) identified four possible market segments in the Philippines. These are the 1) short stay medical procedures, 2) the spa and wellness and vanity centers, 3) the long term care for the sick and elderly (assisted living) and 4) the healthy retirees who are attracted by excellent medical support. The researcher is of the opinion, however, that segment 3 and 4 in this formulation are interlinked and segment 4 merely pertains to a target market, but not a market segment. Therefore some adaptations for the sake of simplification and clarity are made. Together with the intensive research done in the Philippines, the author developed a Service Activity Segmentation Matrix (see next page). From the matrix one can see that there are basically four different market segments, containing elements from three service activities (or product categories). A foreign person that undergoes health screening in a hospital in order to just have her/his annual check-up done, might be healthy and just continue with the relaxation program in one of the Spas/ Resorts or keep on travelling throughout the Philippines. Nevertheless in the unfortunate case of a negative diagnostic of the heart for example, this person may have to undertake long-time medical tests and ultimately a cardiologic surgery, with the need for a long period of stabilizing the weekend body and a consequent life-style changing program. Having to avail of various service providers throughout the process. Certainly, such kind of long-term scenario is a bit far-shooted in light of the current slow developments in the Philippines, but should be envisioned in order to comprehensively develop a new industry.

Service Activity Market Segment	<b>1. Diagnostic</b> (Activity from Service Provider)	<b>2. Treatment</b> (Activity from Service Provider)	<b>3. Rehabilitation</b> (Activity from Consumer)
<b>1. Wellness/Leisure</b>	<ul style="list-style-type: none"> <li>- Health Analysis (Live Blood Cell Analysis, etc.)</li> <li>- Medical Consultation</li> </ul>	<ul style="list-style-type: none"> <li>- Massage/Reflexology</li> <li>- Body Scrub</li> <li>- Rejuvenation/ Detoxification Therapy</li> <li>- Dietary Measurements</li> <li>- Lifestyle Changing</li> <li>- Educational Activities</li> <li>- Herbal Treatment</li> </ul>	<ul style="list-style-type: none"> <li>- Spa relaxation</li> <li>- Yoga</li> <li>- Sport &amp; Cultural Activities</li> <li>- Meditation &amp; Spiritual Development</li> </ul>
<b>2. Short-term Medical Services</b>	<ul style="list-style-type: none"> <li>- Health Screening</li> <li>- Check-up Activities</li> </ul>	<ul style="list-style-type: none"> <li>- Dental treatment</li> <li>- Liposuction</li> <li>- Optical treatment</li> <li>- Cosmetic Surgery</li> <li>- Alternative Medical Treatment</li> </ul>	
<b>3. Long-term Medical Services</b>	<ul style="list-style-type: none"> <li>- Medical Analysis</li> <li>- Medical Tests</li> </ul>	<ul style="list-style-type: none"> <li>- Cardiology</li> <li>- Ophthalmology</li> <li>- Orthopaedics</li> <li>- Cancer Treatment</li> <li>- Reconstructive Surgery</li> </ul>	<ul style="list-style-type: none"> <li>- Physical Medicine</li> <li>- Rehabilitation Activities</li> </ul>
<b>4. Retirement</b>	<ul style="list-style-type: none"> <li>- Retirement Consultation</li> </ul>	<ul style="list-style-type: none"> <li>- Nursing (24h or stand-by)</li> <li>- Care Taking Services (Grocery, Cooking, Entertainment)</li> </ul>	<ul style="list-style-type: none"> <li>- Community Activities</li> <li>- Commercial Activities</li> </ul>

Table 8: Health Care Service Activity Segmentation Matrix

### 3.5 Characteristics per market segment

This paragraph will describe each market segment. First a general overview of the involved service provision is given, followed by an example and an empirical assessment of the target market. It was not explicitly part of the research to undertake an inventory of the Philippines' establishments and services and to study the target markets. However certain information and insights from the interviews and the material gathered are worth including. No claim for completeness can be derived.

#### 3.5.1 Wellness/Leisure

Spa services include all kinds of health treatment and partially health analysis and medical consultation. Traditional tourist activities are merely included in the form of rehabilitation measurements. Cultural tourism, eco-tourism, beach or mountain holidays, sightseeing and other initiatives of letting the visitor enjoy the Philippines can be used to complete the wellness package or to offer for a pleasant recovery from the medical treatment. There are crosscutting issues such as lifestyle changing (healthy nutrition, fasting, etc.) and physical educative activities (Yoga, Meditation, etc.) that do preferably need medical attention, but are offered by tourist-related establishments, such as Resorts or Hotels.

It becomes obvious that the wellness and leisure segment does require medical as well as tourism-oriented service knowledge. A person having had a surgery does require medical supervisory even after s/he is transferred to an e.g. resort. As this might be perfectly evident to each of us, the researcher did encounter that a high-class resort did not know, about a hospital sending patients for after-treatment relaxation. Even the hospital might take care of the immediate availability in case of an emergency; the resort staff should be aware and knowledgeable of the state of health of those clients, in order to depict any irregularities early. Standards and guidelines for the cooperation between the tourism and health care industry have to be created.

The wellness and leisure segment can possibly attract middle to high-income classes. It is a known fact, that physiotherapeutic care, spas and sauna have generally a very good quality in Western countries. However, the middle-income classes often face long waiting lists or very high prices. As regards, what concerns the high-income brackets, it is observable, that they are searching for extraordinary holidays and relaxation, away from the usual. By ensuring different price categories with proper standards and services, the Philippines might be able to attract both clientele.

### *3.5.2 Short-Term Medical Services*

This segment mainly involves services provided for in hospitals and medical facilities, such as clinics (eye or dental clinics). Many services that are often not covered by insurance companies and therefore too expensive can be done for a fraction of the price in the Philippines. These encompass all kinds of cosmetic surgeries, as well as certain dental and eye care. Check-up and health-screening activities could also be pursued, as they are often not covered and for some people too expensive in their home country to undergo regularly.

In this segment, the middle-income classes of developed countries can be tapped by offering them a clear price and possibly time advantage. A stressed out manager does not have much free time, but needs new glasses or wishes for whiter teethes. S/he might find it very attractive to have all those things done during the holiday, without spoiling too much of her/his precious time (by using personal services) and at the same time enjoying an exotic destination. Another example can be found in the vanity world. People are striving for a perfect body, but only a small fraction of the population can afford the necessary surgeries in developed countries. This is the chance for the Philippines to attract this majority with considerably lower prices. In the author's opinion, this clientele might not even care for perfect service or a splendid holiday (even though it certainly would be an incentive), but only looks at the affordability, which basically means, that the whole package (including flight, accommodation, food, etc) has to be much cheaper than the surgery in the home country.

### *3.5.3 Long-Term Medical Services*

This market segment will most likely take the longest time to be developed. Medical care, such as cardiology, ophthalmology, cancer treatment, reconstructive surgery and other areas of the specialty medicine need a lot of trust by the patient in the facilities, services and personal. It is not only the reputation of Philippine medical institutions, but of the country as a whole. A person that decides to undergo a long-term treatment

in the Philippines does not want to be afraid of political or infrastructure-related problems throughout his therapy.

The target markets for this segment, as defined by governor of the DTI-BOI A.R. Santos (2004), are first the neighboring countries (Japan, Korea, China), because of proximity in culture and geography. Own assessment suggests that it is possible to attract a larger clientele (including Western countries) only after the sustainable development of segment one and two.

#### 3.5.4 Retirement

Believing the statistics and demography of developed countries, the retirement market segment might soon be booming in the Philippines. However the development thereof only goes in line with the progress in the other three segments. The services depend very much on the needs of the various age groups. Nursing (24h or stand-by) and care taking (grocery, cooking, entertainment) are the major activities involved. Community and other activities by the retirees are rehabilitation measurements supporting the general state of health and well-being.

The main target market at the moment is the Japanese consumer. With 18% of the total population being 65 or above, which is a surplus of 3.5% versus the 0-14 year olds (14.3%)<sup>2</sup>, the waiting times are long and prices skyrocketing in Japan. Forecasts calculate an increase of the Japanese population aged 65 or above to 22.3% in 2010 and 29% in 2025 (UN, 2005). This means, that there is no other choice than to search for alternatives. The same demographic pattern can be observed in other Western countries (see Table 9)

Category	Germany	U.K.	France	NL	U.S.A	Japan	Korea	China	Philippines
Population ages 0-14 (% of total)	15	18.3	18.6	18.3	21	14.3	20.9	24.2	36.3
Population ages 65 and above (% of total)	16.8	16	16.1	13.7	12.4	18	7.2	7.2	3.89

Table 9: World Development Indicators, 2002

Concerning age groups, there are four categories of retirees defined (Yu, 2004):

1. Soon-to-be retirees
2. Early retirees under 65
3. Retirees 65+
4. Retirees 85+

The primary focus for the Philippines should be the first two, especially those in a stable healthy position. With this strategy it is possible to devote more time to the progress of the HCSM.

In their research on retirement in the Philippines, Padojinog & Rodolfo (2004) defined the following two issues needing to be addressed. First of all high standards in care giving have to be ensured. Retirement not only requires medical knowledge, but personalized care, which is highly sensitive to the needs and wants of the retirees. That means, these standards have to be applied to medical care, as well as facilities, amenities and recreation and extra-curricular activities. Price discrimination against foreign nationals is a second serious issue. Standardization of the prices or at least

<sup>2</sup> World Development Indicators 2002

certain ceilings that are oriented on the local rates must be in place. A person searching for the best place to retire wants to have a choice and is comparing the various price categories. That is why, in the authors opinion, price transparency is very important.

### 3.6 Comparative advantage of the Philippines

Comparative advantage of a country concerns its long-lived traditions, the typical mentality and culture, the natural resources and other things that cannot be changed as easily. Infrastructure, the political and social system can be examples. Competitive advantages on the other hand are features adaptable to changes in the environment. Pertaining mainly to the competitive strategies of the private sector, the government can drive and support these initiatives in their policy-making. As Porter (1990) pointed out, competitiveness among nations does not make much sense, as a country can not be competitive in every market.

The Philippines in the words of Mr. Dennis Miralles (2004) brand manager from the DTI strives for complementation by tapping the market niches that are not fully served by South East Asian countries. These are found mainly in the retirement and the wellness segments. The deep respect towards the elderly, anchored in the Philippines society and the high level of service orientation is a comparative advantage. Filipino nurses and caregivers are praised abroad for their fast adaptability and frugality. Nevertheless, this fact does not necessary speak for the same qualities within the Philippines. The fact that there is a double digit percentage of highly educated doctors and nurses leaving the country annually for better paying jobs abroad, does not shed a good light on the internal functioning of the internal health care system. One has to be careful to not overstressing this argument when promoting the Philippine's HCSM. The international consumer might understand it as a negative indicator. The English-speaking population is a decisive advantage; however the general level thereof is unreliable. Another factor is the western orientation and the Christian majority of society. In light of the prevailing Eastern religions in other SEA countries, it gives a different input for attracting international consumers.

Other comparative advantages of the Philippines are its rich natural resources and wide variety of tourist places: European-like forests in the north, Rainforest and uncountable beaches in the rest of the large country, making it an 'exotic destination to developed country' consumers.

### 3.7 Current Developments in the Philippines

In the following paragraphs only developments, relevant to the HCSM for International Consumers will be summarized. Most of the information was acquired throughout the interviews and therefore references of the respective statements will be made. (For a list of contacted persons please refer to Appendix A.) The public arena is explored first, providing information about the government activities. Afterwards the private sector, divided into health care industry and retirement and tourism industry and spas is considered.

### 3.7.1 Government Institutions

Several government institutions on the national level having a role in the HCSM were identified. These are:

1. Department of Trade and Industry (DTI)
  - a. Bureau of Investments (BOI)
  - b. Philippine Retirement Authority (PRA)
  - c. Center for International Expositions and Missions (CITEM)
2. Department of Tourism (DOT)
  - a. In particular the Office of Product R&D
3. Department of Health (DOH)
4. Department of Justice (DOJ) & Department of Foreign Affairs (DFA)
5. Department of Energy (DOE)

1.a The DTI contracted a study on the Health Care Service Industry in 2001. Incentives are given for hospitals to attract foreigners (Nelle, 2004) and for the building of new hospitals (Miralles, 2004). The department has put 'Health Tourism', in particular the retirement segment on its agenda and is in close cooperation with other departments, such as the DOH. The issue of establishing medical zones to give way for the practice of foreign doctors in the Philippines should have been discussed in November 2004 already, but the outcome is not yet officially known. The main target market, as envisioned by Governor A. R. Santos (2004) is the US (especially *balikbayan* and US war veterans, including Philippine war veterans who fought for the U.S. army), Japan and China.

A new taskforce created by President Macapagal Arroyo under Executive Order No. 372 in later 2004, is tasked to drive this new market forward, consolidate all initiatives in one master plan and provide strong 'integrators' to cut through bureaucracy and circumnavigate 'vested' interests. Members are selected leaders from the Philippine business world and government agencies.

1.b The PRA was created in 1985 and is promoting the Philippines as a retirement haven since. A special life-long visa can be issued<sup>3</sup> in only 5 days. This authority has its own accreditation guidelines and so far 13 retirement facilities throughout the country are accredited. The PRA is linked with the DOT and the Spa association of the Philippines. For the year 2004 an estimated 1000 visa applications were handled. However, the major concern is the few promotion and marketing possibilities due to the government austerity measures. Since October all promotional trips were cancelled which resulted, in the opinion of Ms Delles (2004), in a significant drop of applications.

1.c. CITEM is the trade promotion arm of the DTI and is also working together with the DOT, but was not approached in the research.

2. The DOT developed a 'Health Tourism Program' in July 2003 that emphasizes the 'Spa Holidays' and 'Medical Holidays'. Since it became operative, accreditation guidelines for spas and tertiary hospitals have been developed and implemented. Promotional strategies were developed (such as the upcoming introduction in May 2005 of the Filipino massage). The Plan also includes training for frontline staff of

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<sup>3</sup> US\$1500 processing fee; US\$ 50,000 – 75,000 deposit; 1% of deposit per year visitorial fee

accredited spas and hospitals as well as spa resort development and an intensive product promotion and marketing, which is not yet realized. The Philippine Tour Operators Association (PHILTOA) and the Philippine Travel Agency Association (PTAA), with the support of the DOT, should have developed medical as well as spa packages as indicated in the program. Up to today, no such package is officially known.

In 2000 the consultant firm McKinsey developed a Tourism Masterplan. Back then, unfortunately the potential of the HCSM was not explicitly mentioned, but key promotional regions were identified. Nowadays these investment areas are: 1) Samal Island, 2) Panglao Islands, Bohol, 3) Northern Palawan, 4) Tagaytay, Taal, Batangas, 5) Baguio, La Union, Ilocos Norte, Ilocos Sur, Pangasinan, 6) Boracay and 7) Bicol (DOT, 2005)

3. Throughout the research, the DOH was contacted for an overview of the Health Industry, but no such information was available. The department included the DOH in a cost-sharing scheme for the 'Health Tourism Program', but unfortunately no further information on this collaboration was provided. Under the DOH, the Philippine Institute of Traditional & Alternative Health Care (PITAHC) was created in 1997. It offers traditional healing products and services and could certainly play a role in the future HCSM in the Philippines

4. The visa facilitation and immigration policies as well as parts of the promotional responsibilities are taken care of by the DOJ under the Bureau of Immigration. Especially for the issue of recognizing the purpose of foreigners visiting the country, should be a lobby. Ms Nelles from the DOT realized the need to include 'medical reasons' on the arrival forms. The DFA is responsible for the diplomatic ties, e.g. the GATS negotiations and promotes the Philippines on that level.

5. Following DOT's 'Health Tourism Program', the DOE undertook the identification and inspection of thermal sites in the Philippines. Nevertheless, it rests questionable why this department is integrated in the plan and even included in the mentioned cost-sharing scheme.

### *3.7.2 Health Care Industry and Retirement*

Data from the DOT determines that only 0.3 –0.5% of the total number of visitors comes to the Philippines for health reasons (Edralin et al., 2001). It would be interesting to find out, how this number was accounted for, as there is no procedure in place as to manifest the purpose of a visit by a foreigner to the Philippines.

The Philippines in 1992 was much better equipped with general and specialized medical establishments than Thailand, Malaysia, Indonesia and Singapore. Appendix C gives an overview of modern equipment (Edralin et al., 2001, p. 64).

As mentioned in 3.2, there are four tertiary hospitals accredited by the DOT. The following summarizes some of the most important developments in accredited hospitals:

1. St. Lukes Medical Center: As the only Philippine hospital, accredited in 2002 by the JCIA, St. Lukes positions itself high in the market. The marketing manager Mr.

Mark Floresta (2004) of the hospital is in favor of a joint effort between the embassies, practicing doctors, hospitals, resorts, bureau of immigration and transportation industry (mainly aviation). However, a liaison officer, connected to the hospital, should be the intermediary and also responsible for the sale of the services. The respective prices have not been made public on the request of DOT, this in light of the stiff competition with e.g. private eye centers. Another problem in pricing is also the independence of practicing doctors in the Philippines. It is not possible to determine standard fares so far. Cooperation with different key agencies abroad is planned, but giving exclusive rights is to be avoided. One of the recent visitors was meditourist.com (homepage under construction). Currently, there is a small-scale treatment program for international patients from the islands of Palau and Guam (U.S. territory). Transportation and insurance issues are resolved and it is just a matter of time until this project can be duplicated to mainland U.S. A new tertiary hospital will be finished by 2008 (the model to be seen in St. Lukes entrance). It will be targeted on foreigners, but open to national paying clients as well. The location is going to be close to Fort Bonifacio, so as to reduce transport time to recreational sites in the provinces of Laguna and Batangas.

2. Asian Hospital Inc: Opened in 2002, it is a well-equipped and modern facility with more than 500 physicians. It is also the first hospital in the Philippines to combine hotel comfort with hospital facilities. Nevertheless, since its capacity has not been fully used, it has recently been taken over by Thailand's Bumrungrad Hospital International (Bumrungrad Public Company, Ltd). A share in stock of 40 percent and the complete management responsibility may "replicate the successful business model in Thailand" (Philippine Inquirer, 2004)

3. Other developments: Makati City General Hospital is the third high-standard, modern and fully equipped tertiary Hospital in the country. Newly opened in 2004, it still lags an international accreditation, but might apply for in the near future.

A list of selected current rates in several hospitals is provided in the Appendix B.

In October 15, 2004 a memorandum of understanding was signed by the DTI and Japans largest health-care provider Tokushukai Medical Corp. to build a 1,000 bed hospital. Called Benigno Aquino Memorial Hospital (BAMH) it will cater mainly to foreign patients, in "particular Japanese expatriates and retirees staying in the Philippines" (Domingo, 2004). No date of completion is know as yet.

Next to the accredited retirement facilities by the PRA, there were several other locations discovered. Only exemplary and far not comprehensive from nature, these examples should visualize the existent but still hesitant movement. Around Bacolod (Negros Occidental) there are two beautiful resorts that may pose a great potential for the retirement and wellness segment ('Mambukal Resort' and 'The Quiet Place'). Another project to build a retirement home on Guimaras Island in the Visayas (Glory Hills Resort) lacks the needed investors and management facilities. However a ready-to use business plan is already prepared. In Cebu, the Cebu Investment Promotion Center (CIPC) heavily promotes investment in retirement facilities. The so-called South Road Project by CIPC, which is reclaimed land open to be cultivated. Several private real estate developers are marketing property and/ or land. Many inspection groups of facilities and services for a possible investment or promotion almost form a

new market niche for the organizers of such travels. So far they mainly came from Japan, but also German and Canadian investors showed interest.

### 3.7.3 *Tourism Industry and Spas*

In the tourist sector some scattered initiatives were discovered. There are travel agencies and tour operators trying to establish linkages with agencies abroad for bringing in foreigners that avail of wellness packages. An interesting project by Mr. Greg Flores (2004), Manager of Filipiniana Tours&Travel in Bacolod consisted in offering a personalized package for Canadian acquaintances. He organized dentist services, tailoring services, local transportation services and accommodation in one of the resorts in Negros Occidental.

Many ideas from the different tourism industry segments were brought up, but there was a lack of knowledge and insecurity on how this new market actually could be entered and what should be the different tasks of the varying stakeholders.

The spa industry is probably the most developed and so far most promising area in the HCSM. Only 12 Spas (3 in Region IV, 2 in Region VII and 7 in NCR) as of October 2004 are accredited by the DOT, but there are many more spread throughout the whole country. So far no categories for the accredited spas exists, but as for hotels and resorts they should be considered in order to ensure different price and service ranges and consequently provide the client with choices. In a Spa survey (2001) done by the Office of Product Research and Development (OPRD) there were 27 Spas identified through research on the web, telephone and business registrations and permits<sup>4</sup>. This survey points out, that Spa establishments grew over the ten year period from 1991 to 2001 by 7,9%, with a 71% grow from 1998 to 1999. There are three different kinds of spas: day spas, hotel spas and destination spas, which had a total of 1296 daily visits, an average of 35 per Spa. The most represented age group is situated in the category of 31 to 50. The relation of male to female is 65% to 35%, which is an interesting finding. The Spas - included in the survey - are frequented to 45% by foreign visitors and to 30% by locals. It is a labor-intensive industry with a client-staff ratio of 1:0.89, meaning that 1069 people were employed in only 20 Spas. The enormous potential for employment is obvious. Naturally, it is questionable, whether the survey is representative, as the statistical minimum number of samples should be 30.

Nevertheless, after this survey a Spa Association was organized in early 2004, driving further the growth and quality standards of the industry. This association is also member of the International Spa Association and is going to present the Filipino concept of massage on a conference in Singapore in 2005. So far what is known is that the traditional *Hilot* massage will be used as its basis. This development would also be in line with the general trend of going back to the roots and increasingly emphasizing the role of indigenous healing/herbalist methods. In various interviews, especially in Negros Occidental several key informants pointed out the potential of re-developing these old methods. Also the Department of Tourism (2003) specifically welcomes the “incorporation of traditional medicine into the health tourism program”.

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<sup>4</sup> Only 20 participated in the Spa survey

### 3.7.4 *Legal Issues*

Several legal issues are affecting the development of the HCSM. The World Trade Organization (WTO) provides three different regulations that may influence the trade in health services globally (Edralin et al, 2001, p. 35). Issues pertaining to the Philippines are stated after.

#### **1. Qualification and licensing requirements for individual health professionals**

The republic Act 2382 from 1959, prohibits the general practice of foreign doctors in the Philippines. Especially in the beginning phase, this is however needed in order to profit from the experience and language skills of foreign doctors. A solution to this problem may be the so-called 'medical zones', that can be organized after the model of the existing 'IT zones', wherein certain licenses are exempted. The Philippine Economic Zone Authority (PEZA) has to develop new guidelines for its creation and the issue is currently under discussion by the Philippines government.

#### **2. Approval requirements for institutional suppliers such as clinics and hospitals**

The DOT has developed accreditation guidelines for tertiary hospitals (4 accredited) under its 'Health Tourism Program' (see 3.7.1). The Philippines Health Insurance Corporation (Philhealth, 2004) accredits hospitals (1,542 accredited), doctors (19,642 accredited), midwives (63 accredited), rural health units (688 accredited), freestanding clinics (16 accredited) and others. For further information on international accreditation please refer to paragraph 2.2.

#### **3. Rules and practices governing reimbursement under mandatory (public or private) insurance schemes**

No unified system is in place. Every health insurance in the target markets does have different standards in guidelines. It is a major task to regulate this issue in order to advance the Philippine HCSM.

Another legal issue pertains to the **ownership of land**. Foreigners are allowed to fully own property, however landownership is allowed only to 40%. It can be leased instead for a period of 50 years with one extension of 25 years possible.

## **4 The Support Industry and Strategic Considerations**

Naturally, a wide range of support industries is involved in the Health Care Service Market. Contemplating from the ankle of the tourism and the health care industry a very complex and broad picture can be derived. Edralin et al (2001) employed the input-output tables from the NSCB to calculate the share of the supply industries to private Hospitals, Sanitaria and similar institutions. Unfortunately, the data used dates back to 1994 and even until today, no updated tables are provided. In order to avoid wrongful numerical indications in using outdated information, the following short analysis of the private sector involvement is based on empirical assessment and the exploratory research only.

#### 4.1 Definitions

The Philippines Standard Industrial Classification (PSIC) categorizes the economy in productive activities in order to produce statistical analysis of the economy. It was first adopted in 1954 after the International Standard Industrial Classification of All Economies (ISIC) by the United National Statistical Commission. There are 17 major divisions with a total of 99 subdivisions. For this analysis, the PSIC was a pillar for orientation about what industries are involved in the HCSM (for more detailed information per industry, please refer to 3.2 and 3.3).

In the PSIC no differentiation between different enterprise sizes is made. The Magna Carta for Small Enterprises (Republic Act 6977 as amended by RA 8289) categorizes firms in the Philippines in four categories: Micro, small, medium and large enterprises.

Micro-enterprises account for the largest part of the economy with 91.7%, but only generate 38% of the total employment. On the contrary, the large enterprises form only 0.3% of the economy but employ 31% of the labor force. The following graph will visualize this fact.

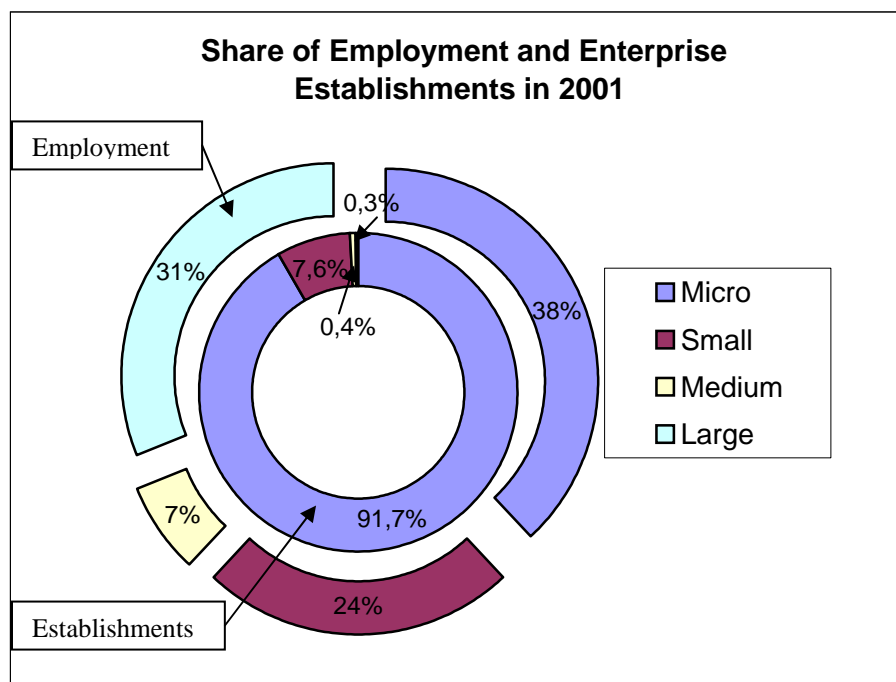


Figure 3: Employment and enterprise share per category  
Source: Compiled from SME Development Plan 2004-2010

The report will refrain from focussing on a certain enterprise category only. The private sector as a whole was considered in order to get a comprehensive picture of the stakeholders. Mr. Schumacher, vice president of the European Chamber of Commerce of the Philippines (2004) estimated the SME involvement in the HCSM to be around 80%. Nevertheless, there is no mechanism in place yet to prove this figure. Together with a prospective inventory study and the market's classification and identification in this report, an extrapolation should become possible.

## 4.2 Activity Based Value Chain Analysis

The activities in the service chain of the HCSM can be visualized with a value chain analysis. This tool was first described by Porter (1980) and initially used to describe how competitive advantage can be established in the chain activities of a firm. Back then it pertained mainly to the manufacturing process of goods. Nevertheless, with certain adaptations, this value chain analysis can also be used to describe a chain of service activities. Expanded by the author to be applicable to the whole Health Care Service Market it gives a first overview of the involved support and main activities. (Please see Table 10 on the next page)

1. The **firm infrastructure** in the market prescribes what enterprises should be aware of when they successfully want to enter the market. Especially quality standards and frontline services (customer relations in general) are a serious issue to be addressed. Inter-firm alliances and networks as well as public-private partnerships are a specific characterization of the market. The tourist and healthcare industry are closely linked to each other as well as to their support industries. It has to be a joint effort in order to develop the HCSM in a sustainable way.

2. Services are solely people-centered; therefore **human resource management** is particularly important. Rigor selection and constant trainings are crucial. A new compensation scheme for the service provision to foreigners may be discussed. However, one has to be careful to keep the competitive price advantage.

3. **Technology Development/ R&D:** Information technology and services enabled by it are preferably at the core of the HCSM. Visions of a global platform containing data of patients, accessible by doctors worldwide are not too far fetched anymore. The data protection and privacy are issues to be tackled here. Medical equipment and facilities have to be constantly upgraded, in order to comply with international standards and demands.

4. **Procurement:** Prices have to be determined in order to give indications and show the clear cost-advantage for consumers coming to the Philippines. It is not a case about standardization, as that would contradict competition, but creating categories and price ranges. Naturally, the flow of supplies has to be ensured, this in light with the high corruption in the Philippines.

5. **Inbound activities** are the features pertaining to the prerequisite in order for the operational activities to come in place/start-up/develop. **Operational activities** per market segment are fully described in chapter 3.5. **Marketing activities** are all services referring to promotion in different locations, for varying audiences and the price categorization. It is difficult to draw a clear line for **service activities**, as some of them may also be interpreted as inbound activities. However, for the sake of simplicity, the author assigned those services to the category that are done *after* a business comes in operation.

**Table 10: Activity-Based Value Chain Analysis of the Health + Tourism Market for International Customers**

1. Firm Infrastructure in the Market	Financial Management and Investment Opportunities Quality Standards where applicable, e.g. ISO certification, International Accreditations Customer relations (where applicable before, while and after customer is in the Philippines) Inter-firm relations and networks, Strategic Alliances, Public-Private Partnerships			
2. Human Resource Management	Recruitment: Local personnel, foreign specialists On-the-job-training Compensation per Philippine Law as well as special rates for medical zones			
3. Technology Development/ R&D	Usage of IT-enabled Services, Platform for medical data of patients, possible connection to medical transcription Equipment development, keeping track with new global inventions			
4. Procurement	Price categorization, creation of price advantage in respect to other countries Stable flow of supplies			
5. Main Activities	<ul style="list-style-type: none"> <li>• Supply of goods</li> <li>• Education, Training</li> <li>• Infrastructure Improvement</li> <li>• Financial Facilitation</li> <li>• Government Facilitation</li> <li>• Developmental Support</li> <li>• Accreditations (insurance, facilities, personnel)</li> <li>• Real Estate Development</li> </ul>	<ul style="list-style-type: none"> <li>• Diagnostics</li> <li>• Treatment</li> <li>• Rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion in key regions (Advertisement, Info centre, Info material, participation in fairs)</li> <li>• Creation of health/ wellness packages</li> <li>• Listing of prices for medical services</li> <li>• Awareness raising among business community/ investors about nature of target market and its potential</li> </ul>	<ul style="list-style-type: none"> <li>• Visa procedures</li> <li>• Transportation</li> <li>• Cleaning/ Laundry</li> <li>• Maintenance</li> <li>• Communication</li> <li>• Waste Disposal</li> <li>• Lodging</li> <li>• Catering</li> <li>• Translation/Interpretation</li> <li>• Business Process Outsourcing</li> <li>• Security Services</li> </ul>
	<b>Inbound</b>	<b>Operations</b>	<b>Marketing</b>	<b>Services</b>

### 4.3 Strategic Framework for the Development of HCSM

From the above analysis together with the exemplary interviews the author was able to amplify an existing framework on “Expanding Trade in Health Tourism” (see Appendix D) by Gonzales et al (2001). The purpose was to specifically:

1. Adapt the framework to the Philippines’ setting
2. Find the direct linkages between the health care industry and the tourism industry
3. Clarify the involved support industries
4. Sketch the main stakeholders from the public and private sector
5. Visualize the prevailing challenges

There are several shapes used in the framework (please see figure 5 on the next page). The following shortly describes their meaning:

**White boxes with blue italic script:** Represent the four modes of the general agreement of trade in services (GATS).

**Freestanding white boxes with black script:** These are the service facilities, having direct contact with the consumer in the Philippines.

**Yellow boxes:** The support factors on which the HCSM is dependent for its sustainable and profitable development.

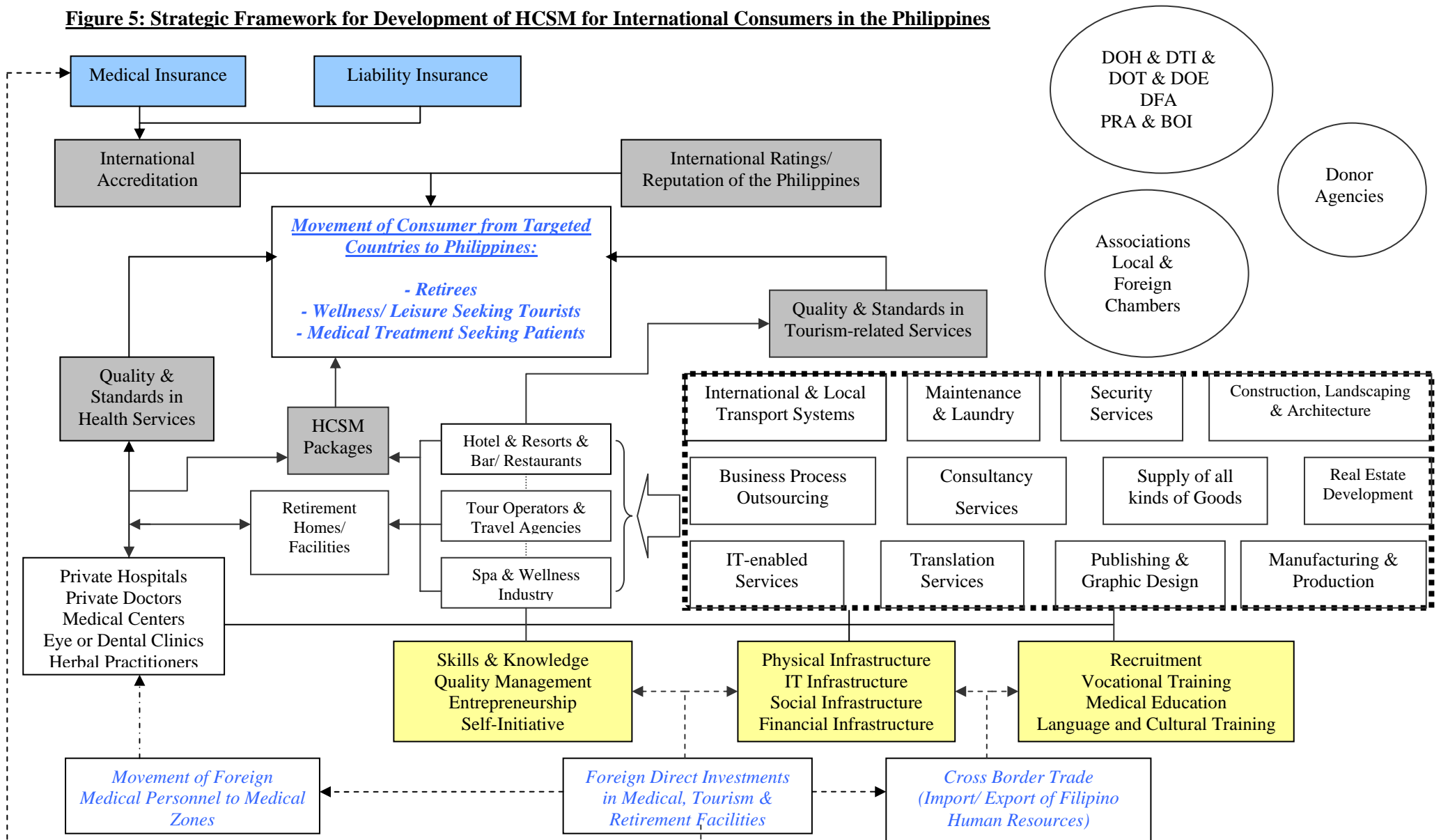
**Bold, dashed frame:** These are main support industries to the tourism as well as healthcare industry. It might be possible to enlarge this frame to include many more detailed areas of enterprise involvement, however for the purpose of the strategic framework, the author decided to take the major business sectors defined in the interviews.

**Grey Boxes:** Challenges in general and for the Philippines in particular that have to be tackled in the development of the HCSM.

**Blue boxes:** Insurance related issues.

**Circles:** Public and private organizations, who do have a stake in the market, the scope, extend and kind is however not yet fully determined.

**Figure 5: Strategic Framework for Development of HCSM for International Consumers in the Philippines**



The framework was originally developed around the four modes of trade in services. For the trade in health services, GATS describes six forms in particular. The following quotes these four modes, plus the respective characterizations for the trade in health services (Gonzales et al 2001) and for the Philippines setting:

**Mode 1 is cross-border trade in services:** It refers to e.g. shared medical services (medical transcription), telemedicine, laboratory services or claims processing. If one views the migration of the many Filipino doctors, nurses and care givers as a ‘trade product’, as is done by some of the highest public officials, then it should be included in the strategic framework.

**Mode 2 is consumption abroad,** meaning that a resident of one country consumes services in another country. This mode includes two forms for the trade in health services: 1) Care for foreign patients and 2) Health profession educational services for foreign students. There are three different consumer categories for the Philippines HCSM, the general retirees, seeking a long-term stay, the tourists undertaking wellness and leisure activities and the patients, receiving medical treatment (long or short-term as defined in 3.5).

**Mode 3 is foreign commercial presence.** These can be foreign-managed or foreign owned companies, subsidiaries or purely foreign investment in the provision of health services. In the Philippines, especially investment in retirement facilities is promoted. The following concept might be interesting in the eyes of a foreign company about to set up such a facility: Providing it during winter for its retired employees, in order to set an example for e.g. exceptional social responsibility towards its loyal staff. During summer, when the retirees are enjoying the good weather in their home countries, it can be utilized as the company’s holiday and/or conference destination, to give the extra incentive or reward for attracting the best professionals. Other examples of the foreign commercial presence can be *inter alia* health insurance companies, physician practices or diagnostic facilities<sup>5</sup>.

**Mode 4 involves the movement of providers.** Two forms for the international trade in health services are existing: 1) Temporary movement of health personnel to provide services abroad and 2) Short-term health consulting assignments. In the Philippines form 1 is currently legally prohibited, but in the short-term made possible in medical zones (see 3.7.4). International experts provide health consulting for/with international donor agencies, such as the German Development Cooperation (GTZ) or the Japanese International Cooperation Agency (JICA), etc.

The framework, thus tries to visualize and clarify the joint effort and resources needed to increase the number of international visitors, consuming health care services. Features depending on international regulation or external forces pertain broadly speaking to insurance matters (blue boxes) only. Gonzales et al. (2001, p. 48) conclude, that international accreditations “will be the key to obtaining medical insurance and medical liability coverage”. That means, all other issues are purely ‘in-house’ and reliant on the ability of the various stakeholders involved in the Philippines.

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<sup>5</sup> For the latter two, naturally the legal issue about foreigners providing health services has to be tackled

## 5 Conclusion and Recommendation/Observation

The many scattered initiatives and the comparative advantage may speak for a great potential in the development of the Philippine's HCSM. Addressing critical issues in the national health care system as well as the development of sustainable tourism strategies is crucial for the establishment of the Health Care Service Market for International Consumers. Gonzales et al. (2001, p.52) suggests some critical issues for the health care sector, that are also very much applicable to the Philippines setting:

- "Improving the efficiency of the public sector providers (...)
- Health care financing reform in order to get better value for money being spent by governments and people out of pocket both in the public and private sector
- Development of policies and programs to stimulate private sector activity in providing healthcare
- Strengthening of regulatory frameworks to ensure consumer protection and access to quality care (...)"

More specifically, there are several issues that should be addressed by the various stakeholders to drive both the developments of the healthcare and tourist industries. Ultimately, it may lead to the growth of the HCSM.

**1. Create a comprehensive development program and facilitate unified promotion.** At the moment, several key players have their very own vision. The DOT promotes spa and medical treatments, the CIPC (Cebu Investment Promotion Center) puts emphasize on retirement, and the DTI does not have a clear line yet, but is studying the healthcare market. The hospitals have their own bilateral agreements; domestic travel agencies and tour operators are slowly linking up with some foreign intermediaries, and universities are undertaking small-scale studies, etc. One solution could be to organize a match-making conference bringing the various identified stakeholders (public, private) together. Informing about the new market and its potential, setting a common definition and direction for the Philippines, discussing about ways of entering and cooperating and consequently allocating the respective roles and functions can be some of the main points on the agenda. Another marketing issue is the creation of packages to promote the market abroad. They should be diversified, transparent and in a proper price-performance ratio. Certainly, different agencies offering the packages must be involved in order to ensure competition, however their marketing is preferably done in a unified form (perhaps creating a Philippine HCSM homepage) in order to avoid adverse selection and inefficiencies.

**2. The quality and standards in health services as well as tourism-related services needs to be adapted to international guidelines.** Even though there are several Filipino accreditation agencies with various guidelines for these facilities, their comparability with international standards is to be made explicit. Tie-ups with the insurance companies in the target countries should be established in order to apply for further international accreditations that in return will be the key for attracting a stable inflow of treatment seeking patients from developed countries.

**3. A much harder to tackle problem is the relatively negative international reputation of the Philippines as a travel as well as investment destination.** A strong promotional effort with intense lobbying of the international press, tourist offices, governments, chambers of commerce, etc. is needed to overcome the severe negative prejudices among the general population.

4. **The legal and regulatory environment has to be adapted.** The bi-lateral reciprocal recognition of professionals under GATS should be reviewed on a diplomatic level in the mid-term. The creation of “medical zones” is only a short-term solution, but powerful in its impact, it has to be initialized as soon as possible.

5. **Human resource development is important.** It will be essential to focus on specialized training of doctors and nurses and give importance to professional certifications. Frontline staff training for all involved facilities as well as a standardized, high quality, service-directed education together with language trainings is needed for the healthcare as well as tourist related services. The Philippine medical professional education in general is on a high level; however incentives or measurements have to be introduced in order to prevent the graduates from leaving the country, finding higher-paying jobs abroad. It is the aim to slow-down the exodus of doctors and nurses through the establishment of the HCSM, which can pay better salaries than the present, internal market oriented healthcare industry.

6. **Involve the academe in the creation of baseline data and studies about the various aspects of the HCSM.** Three different studies should be conducted primarily: An a) inventory study on the Philippines, a b) target market study and a) study on the international accreditation and insurance regulation, considering reimbursement and compensation issues. Consequently, Short-, mid- and long-term promotion programs will have to be developed for the different target markets. Some comments are proposed:

a) From what has been discovered about statistical data, an inventory study will be based very much on word-of-mouth research. The database of the DOT, keeping track of their accredited Spas, Tertiary Hospitals, Resorts, Hotels and tourist-related establishments is - however incomprehensive - a good baseline inventory. Another one might be the health care-related accreditations by Philhealth and/or DOH. Nevertheless, when it comes to other fields of related services having a potential knowledge and/or are already involved in the HCSM it is much harder to collect reliable data. These services can be *inter alia* consultancy services, real estate development, suppliers, tour and travel operators, private (herbal) practitioners, Business Process Outsourcing companies, training providers, etc. One might try to use the database on business permits and registrations of the Department of Trade and Industry. Also other government agencies, such as CITEM, DOH, DOJ and DOE should be contacted in order to figure their role or position in the market.

b) A local national in the respective home countries should preferably do a target market study. Interviews and questionnaires should reach a wide range of the population. Another additional insightful option is the research in other competing countries of South East Asia. Tapping the international consumers of health care services and collecting opinions about various issues, like why they chose for the respective country to undergo treatment and not the Philippines, processes, services, likes and dislikes, ideas for improvement, etc. Valuable information for the marketing, service offerings, process facilitation and organization can be collected.

c) Every country has its own health insurance with the respective policies on traveling abroad. It was discovered that a French retiree, living for 10 years in Cebu already, could fully use the public insurance (sociale securité, caisse francaise de l'étranger),

just paying 4% of his pension per month in France and enjoying 100% coverage in the Philippines. Discovering similar systems in other developed countries and integrating them in the promotional effort could obviously spur the international movement of consumers, which shows the urgency of such a study.

**7. Avoid discrimination of local health care consumers by further developing the health care sector and improving the access to public health insurance.** The crucial issues, such as access to health care and medicines for the poor as well as quality in the service provision have to be continuously addressed. This will automatically trigger the inflow of foreign patients, which in return means increasing revenue that keeps the health care system progressing. A high position of these concerns on the government's development agenda has to be ensured.

**8. Implications for SMEDSEP in its activities in Negros Occidental:** The HSCM should certainly find attention within the existing BDS component in and around Bacolod. The existence of potential is enormous as well as the drive from the public and private side. These ideal preconditions can be used to develop a short-, mid- and long-term planning for the region. In the short term, the focus should be on the first segment (wellness/ leisure). Unified standards for the spa services and qualities of respective facilities may be introduced. Towards the mid-term, expertise in consultancy for resort, hotel and retirement facility management can be created locally. It should encompass the knowledge on the (international) demand side of health care seeking patients as well as retirees together with marketing skills for international promotion. Existing resorts can be redesigned accordingly. Additionally, in the longer-term, promising hospitals of Bacolod should be integrated in the process and a comprehensive program - linking the identified stakeholders - for the international consumer of health care services be invented.

It is now important to define the roles for implementing, supporting or monitoring these issues. That means a close collaboration of all involved parties is crucial. The pulling together of resources and the development of a unified Filipino strategy may be the key in accelerating the growth of the HCSM.

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## Appendix A: Key Informants per Sector

### Government Institutions

No.	Name	Organisation	Position	Contact
1	Margarita R. Songco	NEDA	Assistant Director-General	03/11/04
2	Dina Rodrigez	DTI	Head, SME-Project Mngt Office	11/11/04
3	Atty. Helen J. Camarista	DOT Region VI	Supervising Tourism Operations Officer	18/11/04
4	Jennylynd Demerre Cordero	Negros Occidental Tourism Center	Senior Tourism Operations Officer	18/11/04+
5	Ver F. Dacete	Silay City Tourism Division	Tourism Officer IV	19/11/04
6	Ignacio T. Arroyo	House of Representatives	Congressman 5 <sup>th</sup> District-Negros Occidental	19/11/04
7	Joseph G. Maranon	Province of Negros Occidental	Governor	19/11/04+
8	Dennis Miralles	BOI-DTI	Brand Manager Health & Wellness	25/11/04+++
9	Pilar "Peachy" Y. Deles	Philippine Leisure & Retirement Authority	Chief Field Operations Specialist	26/11/04
10	Armin Santos	BOI-DTI PLRA	Governor, President	01/12/04
11	Joel Mari S. Yu  Roberto A. Varquez	Cebu Investment Promotions Center	Managing Director  Officer-In-Charge	02/12/04
12	Red Y. Gonzalez	DOT	Administrative Officer I	03/11/04
13	Elizabeth F. Nelle  Maria Rica C. Bueno	DOT, office of Product Research & Development  Community Tourism Development Division	Director  Chief Tourism Operations Officer	16/12/04
14	Patria Aurora B. Roa	DOT Region VII	Regional Director	07/12/04

### Private Associations, Organizations & Educational Establishments

15	Patricia Corpus-Calilong	Philippine Business for Social Progress	Associate Director	08/10/04
16	Zorayda Amelia C. Alonzo	Small Business Corporation	Chairman & CEO	11/11/04
17	Steffen Range	Wirtschaftswoche	Reporter	12/11/04+++
18	Winston Padojinog	UA&P	Professor/Researcher	3/11/04
19	Jovi Dacanay	UA&P	Professor on health economics	3/11/04+++
20	Henry J. Schumacher	ECCP	Vice-President	4/11/04 + +
21	Willie T Genciana	Central Philippines University, Iloilo	Instructor Tourism & Travel Management	18/11/04
22	Maria Lourdes S. Go & Kim Dennis M. Go	International School for Medical Transcription, Cebu	President/CEO	02/12/04

## Health Care Industry and Retirement

23	Engr. Oscar a. Tuason	Cebu Doctors' Hospital & Cebu Doctors' Colleges	Administrator	02/12/04
24	A. Balairos	Sanatorium Hospital Bacolod	Director of Marketing	19/11/04
25	George G. Abueg	The Doctors' Hospital Bacolod	Head of Administration	19/11/04
26	Joaquin L. Torre	Dr. Pablo O. Torre Memorial Hospital Riverside, Bacolod	President	19/11/04
27	Vicotoria Dreyfus Angodung	Our Lady of Mercy Hospital, Bacolod	Director of Marketing	19/11/04
28	Evangeline C. Johnson	Our Lady of Mercy Speciality Hospital, Bacolod	President	22/11/04
29	Mark Floresta	St. Lukes Medical Center	Junior Manager Marketing, strategic planning	23/11/04
30	Lydia del Mundo	Rose Princess Polyclinic, Retirement Home, Cabuyao	Supervisor Nurse	15/12/04
31	Lilia M. Carlos	Rose Princess Polyclinic & Rose Princess Home Training Centre, Inc.	Administrator/President	15/12
32	Hiroo Osawa	Rose Princess Home	Japanese Resident & Manager	15/12/04
33	Vita Jamandre	Jamandre Industries, Iloilo & Glory Hills properties	Owner	01/12/04+
34	Daniel & Marilou R. Arcenas	Handumanan Development Corp.	President/Property Owner	03/11
35	Koichi Ozaki	Retirement Business Journal	Chief Editor	03/11/04
36	Mr. Jean Braiou	French Retiree, living in Cebu for 10 years		04/11/04

## Tourism Industry and Spas

37	Jenny T. Franco	National Association of Independent Travel Agencies (NAITAS) & Travel Vision Inc.	President- Cebu Chapter, Managing Director	07/12/04
38	Alice K. Queblatin	Association of Tour Operators Soutwind Travel&Tours	President in Cebu Managing Director	08/12/04
39	Ellen Marie Jalandoni-Vasquez	Mambukal Resort	Officer-In-Charge	19/11/04
40	Carlo Boromeo	Plantation Bay Beach Resort, Cebu	PR Officer	03/11/04
41	Paul L. So	Asian Spirit + Action Holidays Tour Corp.	President	18/11/04
42	Dorcas Arcolas	The Quiet Place, Farm Resort, Bago City	Operations Supervisor	20/11/04
43	Jonie Marie P. Lacson	Mambukal Resort	Recreation Welfare Services Officer II, Lodging Supervisor +Front Office	20-21/11/04
44	Dina S. Serfino	Worldbound Travel Corporation	Director of Operations	22/11/04
45	Greg R. Flores	Filipiniana Tours & Travel	Manager	22/11/04
46	Ruth Minerva G. Cruz	The Quiet Place, Farm Resort	General Manager	22/11/04+
47	Irella Cabilia	Spa at Plantation Bay	Spa Supervisor	03/11/04

## Appendix B: Rates for Some Medical Services in Metro Manila Hospitals

Services	Makati Medical Center	Medical City General Hospital	St. Luke's Medical Center	Santo Tomas University Hospital
Room Rates	<i>Small Private:</i> Php1100 (main building), Php1300 (new wing) <i>Large Private:</i> Php1850 (new wing circular) <i>Small Suite:</i> Php5900 (circular); Php7400 (main building); Php8000 (new wing), <i>Presidential Suite:</i> Php11000 (main wing)	<i>Small Private:</i> Php845 – 1000 with aircon; <i>Large Private:</i> Php1450-1755 with aircon, cable TV; <i>Private Deluxe:</i> Php2070 with aircon, cable TV, refrigerator	<i>Suite:</i> 59000, <i>Private:</i> Php2200 (new); Php2100 (old), <i>Semi-Private:</i> Php950	<i>Standard with aircon:</i> Php950; <i>Standard with TV, phone &amp; refrigerator:</i> Php1200, with aircon TV, single bed, refrigerator and couch: Php1300, <i>Bigger room:</i> Php1600-2200, <i>Garden Suite:</i> Php7000
Dining	The hospital has a canteen (with a dietician), a privately owned restaurant with Floating Island	The hospital has a canteen	The hospital has canteens in the hospital proper, the Medical Arts building and the Cathedral Heights building	Several restaurants in the hospital complex
Deposit Requirement	No deposit	Php6000 for most cases, same day reservation permitted, subject to room availability	P5000	Room rate multiplied by 10% is refundable upon discharge
Policy on Medicines	Patient's medicines must be bought in hospital's pharmacy	Patient can bring in own medicine subject to service fee	Patient's medicines must be bought in hospital's pharmacy	Not required to buy medicine from hospital's pharmacy
Urine analysis	Php150	Php135	Php205	Php130
Complete Blood Count	Php230	Php240	Php270	Php420
2D Echo	Php3900 (with colour Doppler)	Php4135	Php4160	Php1950
Heart Bypass	Php650, 000 (package of hospital professional fees, treatment for 7 days)	Not offered	For 10day package: <i>Semi-Private:</i> 460,000; <i>Private:</i> Php550, 000; <i>Suite:</i> Php730, 000	Info not available

Services	Makati Medical Center	Medical City General Hospital	St. Luke's Medical Center	Santo Tomas University Hospital
ECG (Electrocardiogram)	Php600	Php435	Php680 (inpatient)	Php440
CT Scan (Computer Tomography)	Php6200 (head), Php9300 (chest), Php15, 000 (whole abdomen)	Plain study: Php4390; with contrast Php5611	Php4500 (head, plain), Php14220 (whole abdomen)	Php5150 (head), Php7080 (chest), Php12300 (whole abdomen)
Chest X-ray	Php510; Php560 (on holidays); Php665 (rush)	Adult Php385, child 7 years below Php545 (two shots)	Php590 (inpatient)	Php290
Chemotherapy	Php10, 000-12,000 medicine per month, Php3000-5000 professional fee per session	Not offered	Rates depend on cancer type and physician	Rates depend on cancer type and physician
Dialysis	Php10, 000 (first session), Php6000 (succeeding session)	Not offered	<i>Private:</i> Php6945; <i>Suite:</i> Php7270	Php4500
Angioplasty (to reduce or eliminate blockages in coronary arteries)	Php120, 000 (for one balloon), Php60,000 (additional stent)	Not offered	Angiogram, packages include fixed number of days and doctor's professional fee: private: Php38, 115; suite: Php45, 740	Depends on the type of operation and physician

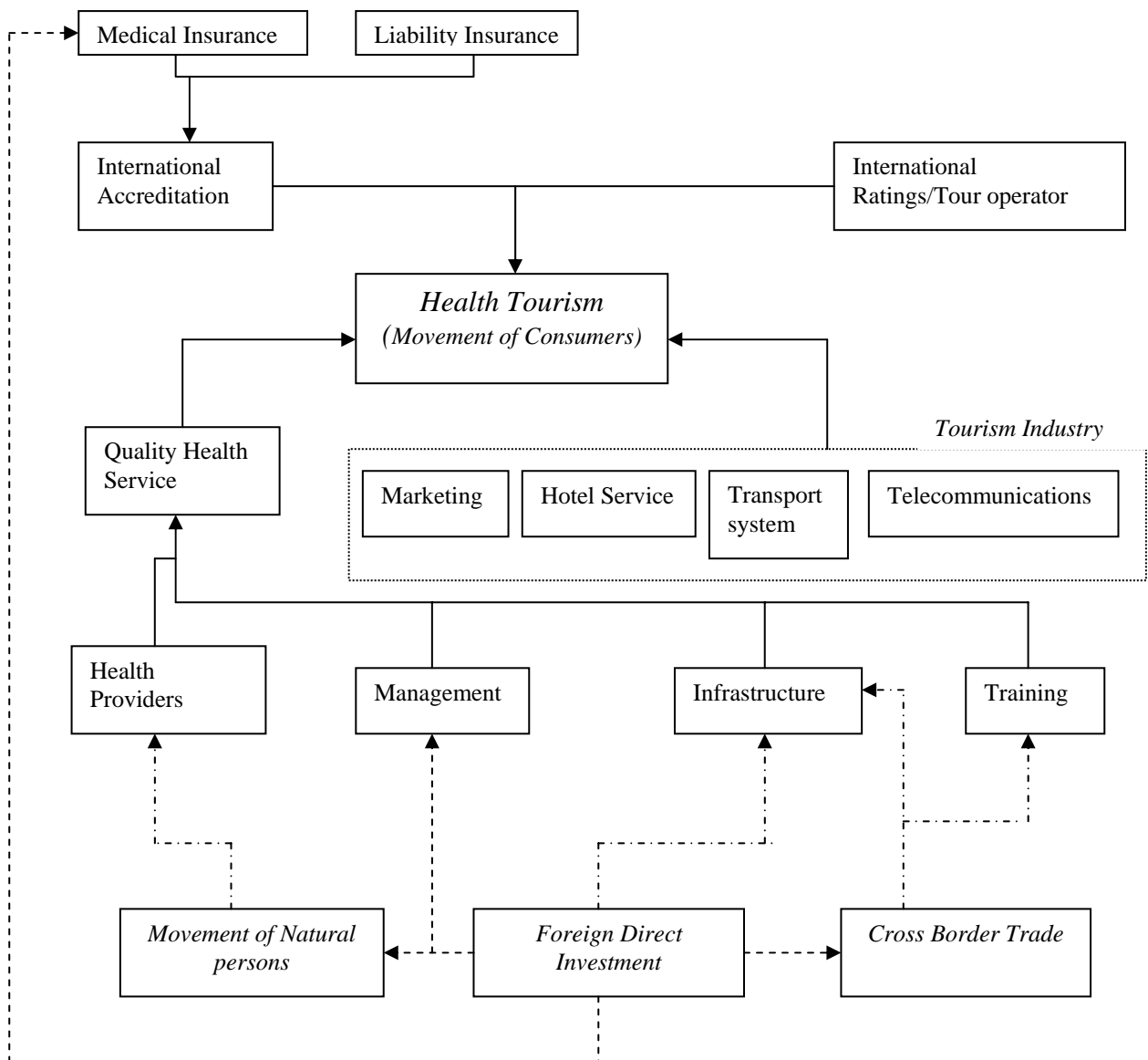
Source: Edralin et al. (2001)

## Appendix C: Equipment available in Philippines Hospitals in 1995

<p><i>Rehabilitation Medicine</i></p> <ul style="list-style-type: none"> <li>• Ultrasound machine</li> <li>• Microwave diathermy</li> <li>• Lumbar traction device</li> <li>• Infrared traction machine</li> <li>• Visipitch device</li> <li>• Audiometer</li> </ul> <p><i>Paediatrics</i></p> <ul style="list-style-type: none"> <li>• Orthoplasts splinting</li> <li>• Accuson 128XP/10c (ultrasound and 2.D Echo)</li> <li>• Transport Incubators</li> <li>• Neonatal incubators</li> <li>• Infusion pump</li> </ul> <p><i>Obstetrics-Gynaecology</i></p> <ul style="list-style-type: none"> <li>• Video Laparoscopy (for diagnostic and therapeutic use)</li> </ul> <p><i>Cancer Institute</i></p> <ul style="list-style-type: none"> <li>• Colposcope</li> <li>• Trans-vaginal ultrasound</li> <li>• Cryosurgery</li> </ul> <p><i>Orthopaedics</i></p> <ul style="list-style-type: none"> <li>• Arthroscopy set with video monitor</li> <li>• Image intensifier</li> <li>• Operating microscope for microsurgery</li> <li>• More precise power instruments</li> </ul> <p><i>Radiology</i></p> <ul style="list-style-type: none"> <li>• X-ray</li> <li>• C.T. Scan</li> <li>• Ultrasound</li> <li>• Magnetic Resonance Imaging</li> </ul> <p><i>Ophthalmology</i></p> <ul style="list-style-type: none"> <li>• Monitors: Pulse Oximeter Capnograph Dynamap</li> <li>• Argon laser</li> <li>• Yag laser</li> <li>• Fluorescein angiograph machine</li> <li>• Biometry machine</li> <li>• Goldman perimeter</li> <li>• Friedman perimeter</li> <li>• Phacoemulsification machine</li> <li>• „Wild“ microscope</li> <li>• Slit lamps</li> <li>• Specular microscope</li> <li>• Amblyoscope</li> <li>• Automated refractor</li> <li>• Fundus Camera</li> </ul>	<p><i>Dentistry</i></p> <ul style="list-style-type: none"> <li>• Suction machines</li> <li>• X-ray machines for outpatients</li> </ul> <p><i>Laboratories</i></p> <ul style="list-style-type: none"> <li>• Immunofluorescence microscope</li> <li>• Bactecinerator</li> <li>• Bactec</li> <li>• Colony counter</li> <li>• Peristaltic pump-pouring culture media</li> <li>• Biological incubator</li> <li>• Slide staining system</li> <li>• Aphaeresis machine</li> <li>• Refrigerated centrifuge</li> <li>• Red cell freezer</li> <li>• Cell washer</li> <li>• Platelet agitator</li> <li>• Thawing bath</li> <li>• Blood bank refrigerator</li> <li>• Plasma freezer</li> <li>• Cryostat</li> <li>• Cytospin</li> <li>• Rotary microtome-shandon</li> <li>• Embedding center-shandon</li> <li>• Stainer</li> <li>• Tissue techniques</li> <li>• Sharpener</li> <li>• Automatic tissue processor</li> <li>• Abbot VP</li> <li>• Coulter counter</li> <li>• Fibrin timer</li> <li>• Automatic stainer</li> </ul> <p><i>Medicine</i></p> <ul style="list-style-type: none"> <li>• Spirometers</li> <li>• Fiberoptic bronchoscope and pulse oximeter</li> <li>• Sensormedics metabolic cart</li> <li>• Spirometers</li> <li>• High performance liquid chromatography</li> <li>• CO2 Incubator</li> <li>• Cabinet with ultraviolet lamp</li> <li>• Electrophoresis machine</li> <li>• Lyophilizer</li> <li>• Refrigerated centrifuge</li> <li>• Inspissator</li> <li>• ELISA reader</li> <li>• Reverse Osmosis Machine</li> <li>• HD Secura dialysis machine</li> <li>• HeA machine with variable Na and BP monitors</li> </ul>
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Source: Edralin et al (2001), p. 65

## Appendix D: Strategic Framework for Expanding Trade in Health Tourism



Source: Adapted from Gonzales et al, 2001, p. 47

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