

DUALISTIC HEALTHCARE MARKETS: THE IMPACT OF BOUTIQUE OFFERINGS

Author Contact Information:

Patricia H. Stanfill, RN, MS, MBA, FAAMA
AVP, Quality
HCA Inc
One Park Plaza II-4W
Nashville, TN 37221 U.S.A.
Ph. (615) 344-2682
Fax (615) 344-5990
Email pat.stanfill@hcahealthcare.com

Abstract

An increasing number of companies are evaluating boutique offerings of healthcare in Europe, Latin America and other countries to enhance revenue. U.S.-based companies view this strategy as an escape from reimbursement declines by entering the private sector in international, dualistic healthcare markets. International companies perceive a more open market for acquisition and use of product in the private sector. Two-tier healthcare exists globally, whether through private facilities, centers of excellence or niche centers. A dialogue related to equal and timely access to optimal healthcare outcomes is warranted with emphasis on financial, technological and pharmaceutical influences.

Introduction

The availability of leading edge health services is increasingly in demand by the global population at a time when international health systems are facing increasing fiscal, demographic and consumer pressures. Emerging healthcare trends, such as advancements in pharmaceuticals and technology, are dramatically impacting the provision of care in every major illness and the disparity in access to these advancements is being noted around the globe. Despite influences to the contrary, a two-tiered health system is emerging as consumers are seeking more convenient, timely access to perceived higher quality of care, even when it means paying out-of-pocket. There has been an increase in private spending on healthcare in the past 20 years, especially in least developed countries, where it can reach as much as 50-60 percent of the total spend on health. The World Health Organization's Regional Office for Europe, based in Copenhagen, is currently exploring healthcare reform designed to slow escalating costs, create alternative strategies to finance healthcare and deliver services with cost efficiency. Governments are exploring a variety of strategies in an attempt to control spiraling costs within their national health systems and social security funds in a time of consumer demand, internal and external economic turmoil and finite budgets. Private health providers, private health

insurance, increasing personal discretionary income and trans-border healthcare delivery are also influencing the global discussion of healthcare access, affordability and outcomes.

The global spend on healthcare in 1990, according to the World Health Organization, was U.S. \$1.7 trillion, or eight percent of the global gross domestic product (GDP). The United States accounted for 41 percent of the total spend. In European countries, the range of healthcare expenditures as a percentage of GDP is from 2.6 percent in Turkey to a high of 9.9 percent in Switzerland. France spends 9.7 percent of GDP and the United Kingdom, 7.1 percent. Developed countries as a group account for 86 percent of the spend; while sub-Sahara Africa, with 10 percent of the world's population, only manages one percent of GDP for healthcare. (1)

Given the significant attention to health enhancement for the world population and the financial impact of an increased services strategy, the opportunity exists to explore public-private affiliations or private offerings in the provision of healthcare. Multi-national cooperative arrangements, corporate sector alliances, consultative relationships, information technology and shared knowledge have the potential to shape global healthcare into the new Millennium. U.S. healthcare payers and providers are facing reimbursement declines, shrinking margins, higher costs, and external regulation leading to exploratory initiatives in global business expansion. As demand for high quality healthcare increases, life expectancy lengthens, and sophisticated treatment plans develop, the opportunity to enter new markets willing to pay for services creates an attractive opportunity for boutique offerings of health services. Whether a strategy that supports dualistic healthcare markets is equitable and fair is a corollary discussion that must take place. Historically, there has always been a debate as to whether healthcare is a right or a privilege. A free market economy exists for healthcare services globally and poses both opportunity and dilemma for companies desirous of participating.

The International State of Health

The world population of almost six billion persons is growing at just over one percent per year. According to the United Nations' Population Division, the most likely projection of world population in 2050 is 8.9 billion. As the population grows, it also is aging. In 1998, about 1 in every 100 persons was over the age of 80, in all, about 66 million persons. In 2050, the number of over-80's is expected to reach 370 million, an almost six times increase. Globally, life expectancy has increased from 59.7 years in 1975 to 65.6 years projected by the end of 1999. Averages do not, however, reflect differences in country specific rates with developed countries reflecting higher life expectancies than emerging economies. In all countries, women are expected to live longer than men. Deaths average about 50 million per year, with non-communicable disease accounting for 56 percent and injuries accounting for 10 percent. (1,2)

Through international efforts, some trends in healthcare are showing consistent improvement. Infant mortality rate has decreased from 87.3 to 56.8 per 1000 live births, with the most dramatic drop in developing countries demonstrating a decrease from 98 to

62 per 1000. Death in children under five years of age is also decreasing. The rate has dropped from 149 to 94 per 1000. Maternal deaths approach 500,000 annually with almost 100 percent occurring in developing countries. Acute lower respiratory tract infection, diarrhea, perinatal conditions, measles and malaria account for 70 percent of deaths in developing countries. In developed countries, deaths are generally attributable to accidents, congenital anomalies, heart disease and cancer. (1)

Heart disease is the leading cause of death in the developed world and is second to acute respiratory disease in the developing world. Cancer, according to the World Health Organization, is rapidly gaining on heart disease as the population ages and cancer treatment is expected to consume a significant proportion of healthcare spending due to its longer-term treatment. Mortality from lung cancer is increasing as tobacco consumption increases with economic growth and occurs in many countries since 25-30 percent of cancers is related to tobacco consumption. Both heart disease and cancer incidence can be impacted by appropriate health behaviors. Respiratory disease, diarrhea, tuberculosis, malaria and AIDS (or HIV) are all in the top ten causes of death worldwide. Psychiatric disorders, accidents and occupational injuries, malnutrition and anemia are also considered major health issues globally.

Disability numbers in the world population include 45 million blind, 135 million visually impaired and 121 million hearing impaired. The incidence of disability is expected to increase with the aging population and increased overall survival rates within the global population. Intra and inter-country conflicts also pose a threat to increasing the numbers of individuals with disabilities. With annual estimates of 14.4 million traffic accidents, 120 million occupational injuries, and 160 million occupational diseases diagnosed, chronic support needs and a potential of permanent disability also place demands on the health system. Substance abuse, including alcohol and psychoactive drugs, show an increasing trend leading to the need for care interventions.

The Existing Global Healthcare Structure

The available healthcare structure varies significantly from country to country and is heavily influenced in each country by macroeconomic conditions and the standard of living in place. As expected, developed market economies usually have superior healthcare services to emerging economies or less developed economies. Regardless of the scope and availability of services, all countries are facing increased cost pressures to deliver consumer expected services. Models of healthcare services are variations of public, public-private, private, and donated. Government agencies generally oversee the healthcare services provided in country, regardless of the model, and are also charged with providing regulatory oversight for payment, new ventures, pharmaceutical and technology approvals, cost reforms and the public health. Increasingly, insurance is available through employers or for self-purchase, and is creating a new consumer class for private healthcare. Health services are moving from centralized control to decentralized control in many countries, allowing local communities to make more focused health provisions.

There is a growing sentiment that bureaucracy in a country's central government has contributed to diminished capabilities in healthcare. As governments face an increasing economic burden from healthcare, there is a move to privatization that is encountering negative criticism from the World Health Organization. Governments perceive the private sector entry into their health system as a way to stretch existing healthcare dollars by allowing some population segments to leave the national health system in favor of private care. WHO feels that privatization encourages a two-tier system that may advantage some segments of the population based on their ability to pay. Also, WHO states that the social character of healthcare should not be lost in the financial ramifications of a private versus public debate.

Developed countries offer the highest level of healthcare sophistication, but between countries there are emergent differences. Historically, non-U.S. adoption of technology and pharmaceuticals has been less difficult and often provides an opportunity for citizens of non-U.S. countries to have prompt access to new drugs and technology. Drugs in the United States cost 30-100 percent more than in other countries due to non-U.S. regulated pricing. While this enhanced profit does make the U.S. the major source of drug development internationally, the multinational nature of the pharmaceutical industry has provided an opportunity to assimilate these discoveries internationally in a rapid fashion.⁽³⁾ The European Union countries maintain a high standard of healthcare service, most with a public and private sector mix. Private hospitals and clinics peacefully co-exist with national health services facilities.

The primary issue in developed countries at present is maintaining the level of service provided with increasing cost pressures on the system. Healthcare reform is a prevalent issue in all developed countries as services are increasing in cost and demand is outpacing realistic expense allocation. The United States is at the forefront of healthcare reform initiatives with diminishing government reimbursements for care, insurance plans' efforts to control utilization, and legislative mandates related to healthcare. In previous years, more aggressive attempts at reform were rebuffed from both political interests and the consumer interests. Healthcare costs in the U.S. are consuming approximately 14-15 percent of the GDP but this percentage is growing more slowly now than in the past 15-20 years. The World Health Organization has identified healthcare reform as a primary initiative in developed countries, in large part due to increasing costs and uneven supply of services across countries.

The least developed countries have minimal infrastructure in place to provide sophisticated healthcare services. Pockets of private healthcare providers are present in some of the larger urban centers but to a much smaller degree than in developed or emerging economies. The focus has been on basic sanitation, proper nutrition, safe water, immunizations and control of disease. There is much reliance on humanitarian efforts to enhance the existing minimal standard of care available. In recent years, the health status gap between least developed countries and developing or developed countries is narrowing. An improvement in life expectancy and the beginning demands of the population for access to healthcare are creating new challenges for the governments of least developed countries. The social and economic progress, while

slow, is opening up the possibility for a stronger commitment to healthcare services in the future.

Technologies are often adopted without the infrastructure to use them efficiently and effectively to benefit the largest segment of the population. Once in place, maintenance is an ongoing problem. According to the Pan American Health Organization, Canada and the United States export health technology and pharmaceuticals with increasing volumes to recipients in Mexico and South America. Argentina, Brazil and Mexico also have health-related export volume, but to a much lesser degree. (4) While there has been a high volume of health-related supplies imported into the Latin American countries during the 1990's, there has not been a consistent plan of action or documentation of outcomes for the currency expenditure. Rarely were funds set aside to maintain services or available staff to perform maintenance, especially in the public sector. No real plan to control technology and drug imports was in place, leading to a chaotic level of capability in Latin America.

Drug acceptance for patient use varies country to country. A common chemotherapy drug in the U.S. is not approved in the U.K. Drugs available in France are not available in the United States. Pharmaceutical companies with a multinational makeup are more likely to have product approved that crosses borders. Smaller or single country based companies face difficulty in moving through the regulatory maze to have their product approved for use in multiple countries with varying approval standards and requirements.

Globally, the standard of healthcare is inconsistent and uneven country to country, and economy to economy. While there is an ongoing effort by the World Health Organization to increase the dialogue between countries on the topic of health, healthcare and healthcare reform, the realism is that no global strategy for healthcare exists. As communication levels increase through technology, shared research begins to make an impact, and the global economy truly becomes seamless, comparable levels of healthcare for the individual may be realized regardless of country thus opening up opportunities for new providers to enter the market.

The Business of International Healthcare

Forays into the business of international healthcare are not new. Products have been imported and exported for years, companies have provided consulting, staffing and management services and affiliations have been developed between the public and private sector to deliver healthcare services. For example, France imports 18 percent of their medical equipment purchases from the U.S. with medical imports from Germany second. Leaders in the field are companies that produce a product that can be easily adopted into the provision of care. Mergers and acquisitions leading to multinational conglomerates with a healthcare division are common. Licensing and marketing arrangements exist for products, often on a country by country basis. Competitors in one country may be partners in another as distribution networks and capabilities drive the effort to move product. Providing a more extensive product, such as healthcare services, is more complex but examples currently exist.

Recognition of the global potential of healthcare is reflected as more facilities address patient recruitment internationally. A prevalent strategy has been to recruit international patients into facilities outside their own country. Healthcare providers, by recruiting patients, diminish the barriers of entering a foreign market to provide services. There is no need to learn the basics of global commerce or encounter the added expense of duplication of services. Multiple facilities in the U.S. recruit patients internationally, including the Cleveland Clinic and M.D. Anderson Hospital. Canada has begun sending cancer patients to the U.S. for radiation therapy treatments due to a shortage in specialty physicians and there are several companies who will act as intermediaries to arrange U.S. healthcare for Canadian citizens on a fixed fee basis. Facilities in England routinely recruit internationally, including the Harley St. Clinic and the Princess Grace Hospital.

Multiple companies have provided facilities, management, supplies, staff and other resources related to healthcare on the international scene for many years, usually in conjunction with, or at the request of, local governments. In some locales, governments approved ownership of private entities. Saudi Arabia has historically used outside companies in their provision of healthcare. The United Kingdom has many private hospitals and clinics, some owned jointly by U.S. and U.K. entities. BlueCard Worldwide, affiliated with BlueCross/BlueShield, is an international hospital network of 115 facilities in 37 countries. Physicians in many countries, such as Brazil, have ownership interest in the facilities in which they practice, often built by expatriate companies.

One of the more recent forays into international healthcare is from the payer perspective. Insurance, historically offered only to expatriates by vendors in multiple countries, is moving into the forefront as insurance products become desirable by a country's population. With more countries encouraging privatization efforts, a mechanism to pay for the care received, other than out-of-pocket, is needed. Plans may replace government sponsored healthcare or supplement shortages in coverage such as vision, dental or drug benefits. Argentina is actively soliciting managed care plans as are other Latin American countries. The Pacific Rim countries are also targets for expansions in plan offerings. The populations of the United Kingdom and most European countries currently have access to employer or personal pay insurance plans. In the U.K., private health insurance offers comprehensive coverages and multiple levels of benefits. Saudi Arabia, even with its attention to facility development over the past 25 years, is beginning to see its younger population starting to inquire about insurance products.

Cigna International has multiple offices in over 59 countries to date and provides global healthcare and pension programs. Blue Cross/Blue Shield, a U.S. leader in healthcare insurance, is focused on meeting the needs of U.S. citizens in foreign countries but is also focused on developing health plans to meet the needs of the local population. Taiwan granted a license to Blue Cross/Blue Shield in 1999 to begin offering insurance products when the country could no longer control costs and excessive utilization with their national health insurance plan. Plans in the United Kingdom such as Norwich Union Healthcare and PPP Healthcare offer expatriate coverages and are expected to continue

their diversification. Some countries are seeing huge numbers of plans arise overnight, leading to a concern that the rush to provide coverage may be under funded. In Brazil alone, 700 plans exist with many others entering the market.

The Societal Dilemma of Public versus Private Healthcare

As mentioned earlier, the World Health Organization is expressing concern that two-tiered healthcare is emerging when private, for-profit providers move into a country to offer an alternative to a national health service. The debate is contentious as the argument is made for equal access to services regardless of ability to pay. France has provided for its population to enter either a public or private facility by controlling payments to private facilities at the same rate as public facilities. Other countries have taken a less regulated approach. In the United Kingdom, private healthcare facilities are thriving with patients paying out of pocket or through self-paid or employer provided insurance policies. Countries in Latin America have encouraged private companies to enter their healthcare structure, again based on patient pay rather than government funding. In the United States, there are approximately 38 million uninsured individuals whose access to healthcare depends on government sponsored indigent care plans. There is an additional segment that is underinsured. Emergent care is always provided, but preventive or routine care is almost non-available in the non-insured population.

There has also been an ongoing debate as to whether government sponsored healthcare is the strategy of choice for a population. The Canadian health system has been followed carefully by the U.S. and other countries as a model that seemed to offer equal access, reasonable cost and appropriate outcomes. Unfortunately over the past few years, its luster has dimmed as the Canadian system encountered the same problems that face other countries. Increasing cost, dissatisfaction with the services provided and poor distribution of professionals to provide care, have driven the system to the point that the country's population is demanding an overhaul with some leaving the system for care in the U.S. (5)

It is impossible to determine if healthcare should be a right or a privilege and whether ability to pay should enhance access and outcome. In the global population, there is an existing socioeconomic stratification that is not unique to healthcare. Standards of living are different country to country. Poverty does exist globally, whether in developed, developing or least developed countries. The gray area of discussion emerges when healthcare is discussed as a business entity, as opposed to a charitable or humanitarian endeavor. The underlying tenant of any discussion of private versus public healthcare can be summed up by the ability to pay. Equal access to the highest quality of healthcare available comes down to the question: Who is willing to pay? If governments stepped up and guaranteed high quality and open access to care for their populations seeking healthcare, the private versus public healthcare debate would no longer exist. Cost is, in fact, driving decisions being made about healthcare internationally.

Realistically, the economic constraints and priorities facing the global society cannot allow full and open access to equal quality healthcare worldwide. While not egalitarian,

offering choice in the healthcare a population may access is realism. Despite discomfort with the situation, healthcare is a business driven by market pressures such as supply and demand. Attention should be given to the social and ethical dilemmas facing the global population desirous of healthcare, but business alone can not alter the current day situation. Participating in attempts to address the global issues surrounding healthcare is the responsibility of multiple segments of society. In the interim, offering high quality, value priced alternatives in healthcare to a segment of the population is not unethical.

Opportunities in the Global Healthcare Market

An excellent resource for identifying opportunities in the global healthcare market is from the U.S. Department of Commerce International Trade Administration and is available on the Internet at <<http://www.ita.doc.gov>>. (6) On a country by country basis, a profile is developed that outlines information such as a summary of the country's market demand, best prospects for international trade by economy sector, access, and resources. In-country staffs profile potential areas of expansion for U.S. products and services and provide guidance and direction for the move into international commerce. There has been an effort to move into providing guidance and direction for the service sector, as product globalization has matured. The service sector demonstrates aggressive growth recently, leading to a greater emphasis in the economy. The United States is perceived as a leader in healthcare services and continues to generate strategies to enhance cost efficiency and efficacy, integrate information and technology, and improve outcomes for its population in an era with external constraints forcing healthcare reform. The U.S. Department of Commerce has recognized the potential commercial opportunity for globalization of healthcare as a service sector participant with potential for expansion into the global economy, and, as such, is providing resources for those interested in an international expansion of business.

Opportunities in healthcare vary country by country based on government receptiveness to entrants into the market from outside-the-country providers, macro and microeconomic conditions within a country, the culture of the population, perceived need for services or for assistance in managing existing services, import-export regulations and similar factors. Some countries are encouraging privatization of healthcare and some are still clinging to the national health service approach, albeit with a new concern for cost and utilization control. Examples of countries with potential for healthcare investment are extensive.

The development or provision of managed care plans has attracted a significant level of interest in Latin America and the Pacific Rim countries. Argentina is actively soliciting for insurance plans to enter the country either to manage existing plans or provide services in conjunction with local providers. In Australia, private health investment is expected to increase rapidly over the next 10 years and investment in hospital up-grades, co-locations and outsourcing of services is being encouraged. Chile has defined a commitment to enhancing the national health system, in part, by removing the burden of complete dependence on nationally provided care. The country is encouraging joint ventures for specialized services such as ambulatory surgery centers and private hospitals

to relieve the capital outlay for sophisticated technology and decrease the labor costs associated with service provision. Physicians are also being approached where services could be provided as an alternative to the National Health Service.

Malaysia, with an economic downturn that should only nominally impact healthcare, is providing investment incentives for healthcare ventures. Japan provides services on a not for profit basis, but consulting services focused on efficiency and cost effectiveness are in demand. Home healthcare services in Japan are attractive because of an entitlement program that provides U.S.\$2000 in eldercare nursing services annually. Mexico is also a market for home health services, with local partners encouraged to decrease barriers to entry. With the confusion in Russia, it is difficult to estimate the size of the market for healthcare ventures, but in 1997 the total imports of pharmaceuticals and medical equipment was U.S.\$2.2 billion. Services by private clinics and physicians are perceived to be increasing with the most important sectors being prevention, insurance services, outpatient facilities and education services.

China is often perceived as a potential market with rapid economic growth, a growing population, and increased purchasing power that should signal a need for increased health services. The current governmental system is undergoing change with attention to reform measures including increased controls on capital purchases, reimbursement guidelines for care, and attention to pharmaceutical costs. While the market is certainly attractive, the opportunities should be viewed as long term in nature with expected returns not realized until years in the future.

India has seen an increase in specialty facilities and diagnostic centers in response to a growing middle class and a greater emphasis on health. Favorable government policies and a decrease in import duties on specialty medical equipment simultaneous to an increasing number of insurance plans encourages careful consideration of the healthcare market in India.

This is only a representative sample of information that may be obtained. The content available for companies interested in entering the global market is significant and should be pursued as part of a market by market assessment prior to any decision making process.

Moving Into the Global Market

Entrants into the international healthcare market have historically focused on comprehensive, broad-based services such as hospitals or hospital systems and have often been larger companies or divisions of existing multinationals. The niche provider in the U.S. is competing well with larger health systems as specialization leads to significant expertise along a narrow spectrum. Efficiency, superior outcomes and increasing profit margins are being observed as specialty providers siphon off profitable services from generalist providers. Because of the increasing specificity of need, specialty services or boutique offerings are attracting attention. This specialization will translate well to the international arena as countries are defining their needs based on national priorities. The

foundation for any decision to enter the global market must be a compatibility with the long-term strategic plan of the company. Moving into the global market without a corporate fit increases the risk. The right reasons to consider going global will enhance the opportunity for success.

Specialty services that can meet the stated needs of countries willing to explore some level of privatization include breast centers, diagnostic centers, ambulatory surgery centers, radiation therapy centers, prostate seed implant centers, home care companies, eldercare facilities including both assisted living and nursing home capabilities, laser eye centers, birthing centers, specialty hospitals such as heart or cancer, rehabilitation centers, occupational medicine centers, and urgent care centers. Other services are also candidates for expansion into the international market but should be based on a comprehensive needs assessment. There is an ongoing market for consultants, a need for increased information technology support, and a growing interest in telemedicine capabilities. The extent of services that are potentials for entering the global marketplace is unlimited but must be based on a conscientious decision making process.

Once a decision has been made to explore an international expansion strategy, the first step is assessing available markets. Creating a business case for any expansion includes determining whether there is a need for the service and whether the user of the service has the ability to pay. Knowing the capabilities of local healthcare providers within each country is critical to narrowing down the potential markets. If a country has a high-quality national health service with a high degree of user satisfaction, this scenario might discourage entry into the market. The individual who is the user of the service must be assessed. Is the service you are providing one that will be used? For example, eldercare services in a population such as Turkey that accepts death in an older population as the will of Allah or in a country where families assume the responsibility for care of their elders might not be a fit. Focus groups, customer surveys and surveys of the medical personnel in an area are also important. Considerations such as climate, transportation and distribution capabilities cannot be overlooked. If disposable supplies, for example, are not available in a timely fashion, the venture can fail.

The political and economic stability of countries must be examined, particularly when the initial capital outlay is significant. Adding radiation therapy, for example, requires a capital outlay of U.S.\$5-6 million and requires a longer time to recapture capital costs for a project than a less capital-intensive service. A country with a history of instability will be a high-risk venture, which should factor into any long-range plan of business. A significant level of financial advice from a reputable bank or firm is a given, both for financing the venture and offering assistance in financial operations once the venture is on line. Consider seeking government-backed funding. Business risk insurance is also a consideration. Because this will be a clinical service, malpractice insurance must also be available. Construction, import of equipment, tax liabilities and operational cash flow must all be a part of financial considerations. Intellectual property rights within a potential market must also be considered, particularly if technology is proprietary or training will be significant. A financial and operating business case must reflect investment and tax codes, international or country-specific accounting procedures and

corporate law reflective of the country. Knowledge of local laws is crucial, as the penalties for violation may be severe. The World Trade Organization standards provide clear guidelines of compliance and operational plans must reflect these standards.

The infrastructure of countries under consideration must be explored carefully. Companies may need to consider communication services, housing and other basic services often taken for granted. Equipment that relies heavily on electrical power or sophisticated computer programs must have a steady and reliable power source. Power interruptions could cause repair and maintenance budgets to rapidly eliminate any profits. The availability of local healthcare professionals is also a consideration. If expatriate staff is to be used, costs will increase. If services are to be reimbursed by government agencies, the stability of the revenue stream should be considered. Disposal of hazardous waste, water and sewer capabilities and similar factors should be considered. Cultivating relationships with political leaders can enhance data gathering and ease the way for new ventures in a country. Relationships can often cut through regulatory or service issues when all else fails.

Another crucial factor is whether the population of a country has the discretionary income and desire to purchase services that may be available free or at significantly discounted rates through a national health service. Often surveys will indicate a great interest in high quality, private healthcare but when the reality of the cost is known by the consumer, utilization does not meet projections. Gathering data on individuals leaving the national health service to obtain care is difficult but should be pursued. Talking with potential users of a service is always an excellent way to gather information as is taking note of income stratification within a country. The more demographic information that can be gathered about the buying habits and consumer finances of a potential targeted country, the greater the chance of success.

Clinical issues cannot be neglected in the assessment of opportunities in the global market. A technology or pharmaceutical approved in one country may not be approved in the target country. Navigating through the regulatory maze of a country may take months or years, depending on the issues at hand, and would stifle import of a service. Cultural impediments to clinical procedures cannot be overlooked. In some countries, breast or prostate interventions may not be received well by the individuals eligible for the therapy. The level of expertise and geographic distribution of available staff must be sufficient. Because individuals who are paying out-of-pocket for care will have high expectations, the quality of the service provided must be reflected in both the outcome of the service and the skill and competency of the staff providing the service.

Once a country has been selected, the mechanism of entry should be explored. Consider partnerships with an existing in-country company with similar business strategies. There are many multinational healthcare related companies that could be interested in partnerships that would increase their sale and use of product. Strategic alliances with governments, healthcare providers or others are also opportunities. The use of an agent within the target country will facilitate the process if the venture decides to enter a market absent a strategic affiliation. Most niche providers are smaller, entrepreneurial firms

without the resources to take their service international. The biggest mistake is moving into the international market without sufficient assistance to make the process flow smoothly.

Relationships with local physicians are also an integral part of any new service offering. Regardless of the technology or service, a physician component is necessary unless a non-regulated service is contemplated. The limitations on physician private practice must be examined. In the U.K., many physicians employed by the National Health Service also maintain a private practice. In reality, physician contracts prohibit this activity but, to date, this restriction is largely overlooked. Physician training differs from country to country, but with more international continuing medical education and information sharing, skill levels are often comparable across countries. Insuring physician coverage of the new service prior to opening is required in many countries for licensure or regulatory requirements.

With the country selected and the venture undertaken, attracting individuals as patients is critical. Marketing must be customized to the culture and country. Affiliations with payers (whether insurance plans, the government or individuals) requires a billing strategy that will insure rapid flow of cash. Brochures or sales information must be in the language and style of the country. For example, in some Latin American countries there is resistance to use of the word “cancer” by older patients. Patient education brochures must reflect needed information, but not insult the service user with too graphic diagrams, culture dependent. Direct marketing to payers and employers is also a way to enhance patient referral. Relationship selling is an excellent way to market services.

Documentation of outcomes is also of extreme importance. There must be evidence that the private offering delivers superior, or at least equivalent, outcome to the national health service in a more convenient or expedient manner. Reporting data that reflects adherence to some defined standard, comparisons to national or international norms, or other methods is recommended. For example, the U.S. based Joint Commission on the Accreditation of Healthcare Organizations has been approached about accrediting providers in Latin America based on criteria similar to the U.S. standards. Benchmarking survival rates for a cancer related service against data available in international or country specific cancer registries is another example.

Disease management offerings are also a consideration. As chronic illness moves into the forefront with basic health needs addressed, companies that can manage a population of patients in a cost-effective manner will be attractive in countries with rising healthcare costs. Offering acute care specialty services coupled with disease management will encourage governments, employers and individuals to explore alternatives to costly inpatient care that is the norm in some countries.

Staff must be trained in both delivery of the service and customer service. A higher level of expectation by the patient may require a new attitude from staff who previously may have worked in a national health service with less expectations of customer service. If a patient has selected a private service rather than wait several months to access national

health service capabilities, the expectation of prompt and courteous service will require a high level of attention. Consider nationals for management, as they are more familiar with the complexities of both the regulatory and cultural issues in their country. Productivity is important in any venture, but a more customer oriented focus is key in a private offering. The culture of a country must be an integral part of any strategic plan. Understanding things as simple as timeliness of arrival to appointments and desire for information is critical to smooth operations.

With a functional service in place, ongoing evaluation and monitoring of financial, operational and clinical performance is mandatory. Companies that have completed a comprehensive assessment of entry parameters may have a tendency to forget that maintaining control of ongoing operations is equally important. Long range strategic planning, including having an exit strategy, is as much a part of international business as it is in the business based in the home country. Is there room for service line extension and geographic expansion? At what point is a venture considered profitable? Are there indicators measured that could indicate a need to vacate a market, whether financial, operational, clinical or political?

The complexity of the decision to go global should not deter companies who are considering this option, but should merely encourage preparation. Recognizing the need for assistance if internal staff are not experienced in international endeavors is key. Exploring strategic alliances cannot be overemphasized. Multinational companies with infrastructure in place to support international expansion are always open to new ventures. Consultants with extensive experience and in-country agents are also options that should be considered. Entering the international market for the first time will require sufficient capital to explore the opportunities, patience and the ability to make clear, rational decisions. Because specialized providers often offer only one or two products, the breadth of management structure and capital resources may not be sufficient to guarantee success. The successful company will have a needed service, in a country that encourages privatization, will have sufficient resources to undertake the venture, and will spend sufficient time in preparation to overcome the seeming complexity of the undertaking.

Summary

The strategy of introducing specialty healthcare services into the global marketplace is timely, as improved techniques and technology enhance existing treatment interventions and populations are demanding increased access and high quality. In dualistic healthcare markets, countries with a national health service and a private sector, opportunities are either available or can be created to introduce boutique offerings either through strategic alliances or independently. The number of companies with a specialty service offering is increasing in healthcare as niche providers attempt to meet the demand for quality, service and accessibility that may be missing in comprehensive providers. The success of specialty companies in the U.S. within the healthcare arena may translate well into the international market if companies are focused and deliberate in their planning and implementation process.

REFERENCES

1. Evaluation of the Implementation of the Global Strategy for Health for All by 2000, 1979-1996. (Document WHO/HST/98.2) World Health Organization, Geneva, 1998.
2. Revision of the World Population Estimates and Projections, 1998. Population Division, Department of Economic and Social Affairs, United Nations, New York, 1998.
3. "Idea of Having Medicare Pay for Elderly's Drugs is Roiling the Industry." Wall St. Journal, p.1, February 19, 1999.
4. Health in the Americas, 1998 Edition, Volume I. (Scientific Publication No. 569) Pan American Health Organization, Washington, D.C., 1998.
5. "Heading South of the Border." Modern Healthcare, p.40, May 31, 1999.
6. U.S. Department of Commerce International Trade Association Web Site. <http://www.ita.doc.gov>, 1999.