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Some U.S. hospitals try to draw foreigners with flat-rate care

BY ANDI ATWATER
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Escalating health care and insurance costs are driving many Americans overseas for medical care, but some U.S. hospitals -- including at least one in Wichita -- are aiming to bring foreign patients here by offering deeply discounted rates.

At the forefront are physician-owned hospitals, whose managers say they have the efficiency and flexibility to charge extremely low rates and still come out ahead. They call it reverse medical tourism.

Galichia Heart Hospital treated its first out-of-country patient last month, a Canadian who needed a hip replacement and was willing to pay cash instead of waiting months -- or even years -- for what is considered elective surgery in Canada.

"They treated us like gold," said Alberta farmer Roy Newman, whose father, Richard Newman, 73, underwent the surgery April 4 in Wichita.

The Newmans paid \$14,000 for a hip replacement, a procedure that averages \$41,000 in the U.S., according to Vimo.com, a cost comparison site.

"People say \$14,000 sounds like a lot of money, but for the pain he was in, it's not that much," Roy Newman said. "We had a great experience. Dad's totally rejuvenated."

The rate race

The medical tourism market is valued at about \$20 billion annually with an estimated 150,000 Americans traveling abroad for medical services in 2006, according to industry figures.

The appeal is paying substantially lower costs -- up to 75 percent less -- at internationally accredited hospitals. A hip replacement in Asia, for example, runs about \$12,000, according to medical tourism facilitators.

Some U.S. hospitals say they can challenge those numbers.

Physician-owned hospitals, not typically saddled with layers of bureaucracy, are better equipped to operate at peak efficiency and offer comparatively low rates, said Molly Sandvig, executive director of Physician Hospitals of America, which represents 148 hospitals nationwide.

"The reason our hospitals are efficient -- the reason they cost less, frankly -- is we know what our charges are, where the money is going," Sandvig said.

"Our goal is not to make a gigantic profit. Our goal is to offer services in the most efficient way possible while still being able to stay in business."

Entering the fray

Galichia officials stunned the industry in February when they announced they would charge a flat fee of \$10,000 -- undercutting traditional hospital charges by at least \$25,000 -- for one of the most common types of open-heart surgery and still make money.

Charging flat fees for other common procedures was the next logical step, chief executive Steve Harris said.

Hoping to tap into countries such as Canada that have overburdened government-run health care systems, Galichia is marketing guaranteed flat rates for orthopedic surgery, electrophysiology procedures such as pacemakers, certain open-heart surgeries and general surgery.

"We can create a market, an opportunity for patients to come here at reasonable costs and have high-quality medical care," Harris said. "I think it could eventually be 10 percent of our business."

Other Wichita hospitals, such as the physician-owned Kansas Spine Hospital, are considering the potential.

Chief operating officer Thomas Schmitt said the idea reflects an evolving trend toward greater consumer involvement and transparency that eventually will transcend national boundaries and traditional markets.

"The challenge is to make sure, given the physical distance, we're able to effectively do the presurgical analysis and patient assessments necessary to make sure patients receive the excellent care they deserve," he said.

Targeting patients

Galichia is marketing to Canadians with local ads and through clearinghouses such as those run by Rick Baker, a Canadian who founded Timely Medical Alternatives and North American Surgery. His companies connect clients with U.S. specialty hospitals that agree to perform certain surgeries at low, contracted rates.

He sends patients to hospitals in Oklahoma City, Phoenix, Washington state, Buffalo, N.Y., Maine and, now, Wichita. He has called Galichia's price guarantee "remarkable."

"For the most part, we can match, sometimes beat and always come very close to prices offshore," Baker said.

"With these prices, there's no reason whatsoever anybody should assume the risks of going offshore. Why travel to the other side of the world to save \$1,000?"

Galichia has about a half-dozen Canadian or uninsured, cash-paying Americans scheduled for surgery next month.

The hospital also has caught the interest of medical tourism companies, including Wichita entrepreneur Frank Mitchell's American Medical Outsourcing, which promises patients 50 to 80 percent savings at its partner hospitals in India.

Mitchell, who went live with his business in January, said he's happy to work with U.S. hospitals who are willing to charge discounted rates comparable to India. When he heard that Galichia was charging \$10,000 for heart bypass surgery, he called them.

"The ultimate goal is to help people and get them the medical attention they need," he said. "I'm definitely all for doing it internally.

"It just makes a lot more sense to me timewise. And flying to India -- you're saving \$1,000 a plane ticket right there."

What employers want

Mitchell sees potential in directly targeting employers, which can realize significant savings by contracting with hospitals that charge discounted flat rates.

Galichia officials have heard from several employers interested in the flat-rate concept, including East Coast supermarket chain Hannaford Bros. Co., which employs 26,000 people and insures 10,000 of them.

Peter Hayes, Hannaford's director of associate health and wellness, said Galichia's willingness to negotiate low, flat rates is appealing. On Jan. 1, the company added a benefit that pays 100 percent of costs if an employee has a hip or knee replaced in Singapore.

Aetna, its insurance carrier, complied, albeit grudgingly at first, Hayes said.

"The issue becomes either we're going to have a market solution to health care or a governmental solution, so a part of this was very deliberate -- let's change the (national) conversation," Hayes said.

"I think the ultimate end game... is it really creates a very competitive market for high-quality care."

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