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New ECIPE Working Paper:

Assessing International Trade in Healthcare services

In this new study, Lior Herman examines the extent to which global trade in healthcare is already a reality. Stories of “health tourism” have been increasing in recent years. But very little was previously known about the extent to which health services are traded internationally. Herman maps trends in the trade of health services, providing a fully comprehensive picture. He finds health professionals and healthcare firms moving in high numbers between countries. Cross-border services and patient travel however remain low. The economic significance of the healthcare sector means this unexploited potential for greater trade could reduce costs for patients and governments.

Health services can be traded internationally in different ways. The General Agreement on Trade in Services (GATS) at the World Trade Organisation (WTO) divides them into four categories. This paper uses those categories.

First, cross-border trade in health services involves the use of tele-medicine, remote diagnosis, education and the purchase of health insurance. It allows specialized treatments to be dispensed, on a 24/7 basis, even in places where medical professionals are not present. But it is barely used at present. Trade activity is highest in Italy and Denmark, but even here remains significantly low in relation to the share of healthcare in these countries’ domestic economies.

Second, consumption of health services abroad, or health tourism, requires the patient to travel. Motivations include rising costs of treatments in their home country, long waiting lists or lack of specialised treatments available. Favoured destinations include Belgium, Croatia, Czech republic, Hungary and Turkey. It is a growing phenomenon, particularly for patients in Canada, Iceland and Luxembourg. But numbers remain low.

For the most part, healthcare is traded through, thirdly, the movement of foreign healthcare firms and, fourth, health professionals between countries. The UK for example, reported in 2004 that 18% of its medical doctors were foreign nationals. This number is considered to be even higher today following EU expansion in 2004 and 2007. Surprisingly, while foreign health professionals have a growing role in the provision of healthcare services in Europe, most of them are from non-EU countries. Only 2.36% of health professionals in the UK in 2004 came from other EU countries. Professionals are moving in increasing numbers from developing countries, in search of higher wages and better working conditions.

Healthcare services now form a substantial part of domestic economic activity in European economies. Government and private expenditure on healthcare has risen to unprecedented levels across Europe in recent years. Cross-border trade, both in the EU and beyond, has brought significant gains to other service sectors that represent such a large share of the European economy. Trade in services lowers costs and boosts quality through competition.

But it has been resisted strongly in healthcare. As a result, patients are being denied choice and potentially lower costs in their healthcare services.

In order for this potential to be fulfilled, policy needs to be conducive. For example, factors such as language and qualification standards in different countries need to be overcome. Government regulations on movement of people and health insurance schemes can affect the ability of patients to move freely to access desired treatments. Data confidentiality is also a crucial consideration. If these issues are got right, healthcare services could be made more affordable for all through trade.

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The paper can be downloaded at www.ecipe.org.