TURKEY AS A MEDICAL DESTINATION AND PARTNER:
CONTRIBUTIONS TO THE US ECONOMY

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Agenda

- Overview of Turkey-US Relations
- United States Healthcare Perspective
- United States and Medical Tourism
- Turkey as a Medical Tourism Destination
- Benefits to United States and Turkey
- Recommendation for Turkey in a Growing US Medical Tourism Market
Overview of Turkey – US Relations
A Stable US-Turkey Relationship

- Current relations focus on areas such as strategic energy cooperation, trade and investment, security ties, regional stability, the global war on terrorism, and human rights.
- U.S. has classed Turkey as one of its 10 Emerging Markets.
- Increase US invest interest in Turkish companies from banks, energy companies to medical services and franchising.
  - A total of 929 American companies had invested over $10B in the Turkish economy since 1954.

Sources: CIA, Global Finance Magazine
Turkey hosts regional headquarters of large US companies

Regional operations include: Coca Cola, Ford Motor, JP Morgan, Microsoft, Procter and Gamble, Nike and General Electric

~200,000 Turks live in the US

Sources: Republic of Turkey Ministry of Foreign Affairs, Global Finance Magazine
United States Healthcare Perspective
The United States spent over $2.2 trillion on healthcare expenditures in 2007.

- This broke down to an average of $7,421 per resident and over 16% of the country’s GDP.
- Over 66 million people are uninsured or underinsured.
- Healthcare has recently been a major debate in the US government and has received a tremendous amount of media attention.

Source:
http://www.kaiseredu.org/topics_im.asp?imID=1&parentID=61&id=358
http://www.census.gov/compendia/statab/
United States population is just over 304 million people and is growing at 0.7% annually.

Baby boomer population continues to age and represents a significant portion of current healthcare consumers.

Source:
http://www.ageworks.com/course_demo/200/module2/module2b.htm#us
http://www.census.gov/
The top 10 most expensive medical procedures in the US cost over $100,000

- Organ transplants and pen heart surgery are the most expensive procedures costing $400,000 and $325,000 respectively

- Healthcare costs are growing at an average of 7.3%, which is well over current inflation rate of 2%

- In 2008, there were 661,000 primary care and surgeons in the US

Source:
http://www.writers-free-reference.com/14medical.htm
http://www.bls.gov/oco/ocos074.htm
Major Healthcare Changes to Promote Medical Tourism

Employees will need to demand a medical tourism option from employer insurance package.

Reacting to employee demands, employers will require that insurance companies offer a medical tourism option.

Medical tourist destinations need to focus on educating US citizens on the benefits and quality of medical procedures abroad.

Insurance companies, who negotiate with top US doctors to include them in their network, will need to provide different incentives if doctors lose patients.
US is a medical tourist destination, but currently US patients travel to Mexico, India, Thailand and Turkey for procedures.

Asia is the most popular destination representing 45% of US patients traveling abroad.
Turkey has Room to Market its Potential as a Medical Tourist Destination

- In 2008, foreign tourist to Turkey spent ~ 2% of their personal expenditure on health related items.

- In 2008, ~1% of foreign tourist to Turkey traveled for health related reasons.

Sources: Turkey Ministry of Tourism.
US Leads Searches in Healthcare Tourism Internationally

- Healthcaretrip.org conducted a study sampling search requests of over 1500 random participants from health travel sites
  - Over 50% of the search results came from Europe and Asia
  - Greater than 40% of the search request originated from the US

**Country of Origin of Search Request**

**Medical Tourism Search Results By Destination**

**Medical Tourism Search Results By Destination - Asia**

Sources: Healthcaretrip.org
Recent International Studies of Medical Tourism

- Emphasizes medical travelers focus on quality and faster service instead of lower costs
  - Patients seek advanced technology, better quality, or quicker access to medical care
- Report states current market is less than 100K inpatients with obstacles ahead
  - Market potential dependent on barriers such coverage from payers
  - Must address absence of transparency in quality and outcome, the lack of clarity in malpractice

Source: 1 The McKinsey Quarterly, Mapping the market for medical travel, May 2008
Emphasizes growth in medical tourism
- popular inbound and outbound destinations
- factors of attractiveness (i.e. demand for out patient surgery, sophistication of medical tourism operations, low-cost global transportation)

Estimates 750K Americans traveled in 2007 for medical tourism
- Driven by increased Health Care Consumerism

Growth is dependent on supply not demand
- After 2010 growth rate will begin to fall due to supply capacity constraints in foreign countries

Health benefits plans have started pilot programs
- Anthem Blue Cross and Blue Shield, United Group

Source:
Deloitte Medical Tourism Consumers in Search of Value, Medical tourism: Update and implications;
US Outbound Medical Tourism Forecast

- US Outbound Medical tourism is expected to surpass 1.6M patients by 2012
- Sustainable growth will be fueled by
  - increased consumer
  - employer awareness
  - increased coverage by health plans

Source: Deloitte  Medical Tourism Consumers in Search of Value, Medical tourism: Update and implications;
Turkey as a Medical Tourism Destination
Turkish Airlines Role in Medical Tourism

- Enhanced integrated transportation provider
- Turkish Airlines’ current routes and planned expansion
- Special Rates for Business class and Medical Tourists

US New Future Routes:
- Los Angeles (LAX)
- Washington, DC (Dulles)
## Popular Medical Tourist Destinations for US

<table>
<thead>
<tr>
<th>Country</th>
<th>Distance from Chicago (km)</th>
<th>Avg Flight Price</th>
<th>Avg Flight time (hrs)</th>
<th>Cost Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>12,056</td>
<td>$1,700</td>
<td>25</td>
<td>$270</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,723</td>
<td>$415</td>
<td>6.5</td>
<td>$232</td>
</tr>
<tr>
<td>Thailand</td>
<td>13,788</td>
<td>$1,500</td>
<td>30</td>
<td>$240</td>
</tr>
<tr>
<td>Turkey</td>
<td>8,818</td>
<td>$1,100</td>
<td>11</td>
<td>$268</td>
</tr>
</tbody>
</table>

*Note: Cost Per Day includes average 4 star hotel, 3 meals and transportation*
Popular Medical Tourist Destinations for US

- **Mexico**
  - Cost is 25-35% of US
  - 7 JCI accreditations

- **Turkey**
  - Cost is 30% of US
  - 32 JCI accreditations

- **India**
  - Cost is 20-30% of US
  - 10 JCI accreditations

- **Thailand**
  - Cost is 30% of US
  - 5 JCI accreditations

Medical Procedure Costs Among Popular Destinations

Medical Costs Comparison

<table>
<thead>
<tr>
<th>Procedure</th>
<th>India</th>
<th>Thailand</th>
<th>Mexico</th>
<th>Turkey</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart Bypass</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knee Replacement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hip Replacement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angioplasty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hysterectomy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heart Valve Replacement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:
http://www.medretreat.com/procedures/pricing.html
http://www.treatmentabroad.net/cost/surgery-abroad-cost/
Medical Procedure Cost Among Popular Destinations continued

Medical Costs by Leading Medical Tourism Destinations

Source:
http://www.medretreat.com/procedures/pricing.html
http://www.treatmentabroad.net/cost/surgery-abroad-cost/
Turkey as a Tourist Destination

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>2009*</th>
<th>SHARE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>GERMANY</td>
<td>4,488,350</td>
<td>16.58</td>
</tr>
<tr>
<td>RUSSIAN FED.</td>
<td>2,694,733</td>
<td>9.95</td>
</tr>
<tr>
<td>U.KINGDOM</td>
<td>2,426,749</td>
<td>8.96</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>1,127,150</td>
<td>4.16</td>
</tr>
<tr>
<td>U.S.A</td>
<td>667,159</td>
<td>2.46</td>
</tr>
<tr>
<td>ITALY</td>
<td>634,886</td>
<td>2.34</td>
</tr>
</tbody>
</table>

(*): Provisional Data.
Turkey as Tourist Attraction is Expected to Increase in Popularity with the US

- In 2008, Turkey ranked eighth in the world with its tourism
- Revenues of $22B
- ~26.3M tourists including 680,000 Americans

Sources:
1 Turkish Embassy US
2 Turkey Ministry of Tourism

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**Total Tourist**


- 2006: 15,000
- 2007: 20,000
- 2008: 25,000
- 2009: 30,000

CAGR: 11%

**US Tourists**


- 2006: 400
- 2007: 500
- 2008: 600
- 2009: 700

CAGR: 8%
Turkey has the Highest Number of JCI Accredited Facilities in the World

**Top 10 JCI Accredited Countries**

Source: 2008_JCI_Annual_Report, Updated Feb 2010
## Examples of Leading JCI Hospitals in Turkey

<table>
<thead>
<tr>
<th>Hospital Name</th>
<th>Number of Beds</th>
<th>Number of Physicians (2008)</th>
<th>Medical Specialties</th>
<th>Year of JCI Accreditation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acibadem Healthcare Group</td>
<td>1,367</td>
<td>1,580</td>
<td>Oncology, Neurology, Cardiovascular surgery, Orthopedics, Plastic Surgery</td>
<td>2005</td>
</tr>
<tr>
<td>Florence Nightingale</td>
<td>550</td>
<td>912</td>
<td>Cardiovascular Surgery &amp; Interventional Cardiology, Neurology, Endovenous Laser Ablation</td>
<td>2003</td>
</tr>
<tr>
<td>Memorial Healthcare Group</td>
<td>233</td>
<td>141</td>
<td>Liver &amp; Kidney Transplantation, Cardiovascular Surgery</td>
<td>2002</td>
</tr>
<tr>
<td>Anadolu Medical Center</td>
<td>209</td>
<td>130</td>
<td>Oncology and radiation oncology, InVito Fertilization, Pediatric and Adult Cardiovascular Surgery</td>
<td>2006</td>
</tr>
<tr>
<td>Bayındır Hospitals</td>
<td>194</td>
<td>148</td>
<td>Cardiovascular Surgery &amp; Interventional Cardiology, International Radiology</td>
<td>2006</td>
</tr>
</tbody>
</table>

Source:
Benefits to United States and Turkey
Surgery is clearly the biggest opportunity for cost savings
- The highest amount of savings for surgery are over $100,000 per procedure

![Cost Savings for Various Procedures](image)

Notes:
Ranges of procedure costs were taken from average estimates of different sources

Source:
http://www.medretreat.com/procedures/pricing.html
http://www.treatmentabroad.net/cost/surgery-abroad-cost/
On AVERAGE, an American traveling to Turkey for a medical procedure can save about $20,000.
Recommendation for Turkey In A Growing US Medical Tourism Market
Framing Medical Tourism as a New Global Product

- As an international business, Medical Tourism is not too different from the subcontracting or the off-shoring of services
  - Porter’s diamond of national competitive advantage is a modern international trade theory

- Form JV with US Private Equity and Hospitals
- Recruit foreign doctors into the country
- Target uninsured consumers
- Focus on elective procedures
- First class travel and accommodation
- Government role in covering malpractice
- Turkey can exceed US and European medical standards quality
- Promotion of inherent attributes of Turkey’s climate and location
Firm Strategy and Structure

- Medical treatment being equal across many countries, Turkey has a unique position to compete on quality.
- Turkey may consider to open Turkish hospitals to European and US doctors to practice in Turkey to facilitate joint ventures.
- It will be common in the near future to have different forms of entry modes in medical tourism, such as with franchising agreements or joint ventures.
  - Cooperatives should regulate itself to ensure quality standards are met.
Demand Conditions

- Create Centers of Excellence should focus on popular US procedures
  - Areas where there is a shortage of specialist ie. Cardiology
  - Elective Care not traditionally covered by medical insurance (Plastic Surgery, Dental, etc.)
  - ‘Reproduction’ tourism, patients seeking fertility-related treatments such as in vitro and in vivo fertilization

- Targeting uninsured population because of cost reasons
  - Increasing population that do not subscribe to benefit from medical tourism, or, not be able to afford any treatment at all
Related and Supporting Industries

- Integration of transportation and recovery services
  - Provision of travel by the airlines and accommodation in hotels
  - Taxis for local travel that also cater to activities for leisure and recreation of tourists during recovery from medical procedures

- Relatively low malpractice suits in Turkey\(^1\)
  - Government is paying for damages on suits against state facilities
  - Forensic Medicine Association was established in Turkey focusing on legal cases involving malpractice
  - Reforms to implement compulsory insurance for medical practitioners in both state and private-owned health facilities

Notes:
1 http://www.health-tourism.com/turkey-medical-tourism/
Factor Conditions

- Turkey has inherent attributes that enables effective post care
  - Ideal climatic conditions, natural resources and tourist location
  - Location is an advantage for medical tourism especially for those visitors from colder climates
- Promote investments by private hospitals and companies
  - Ministry of Health trained over 300 health care professionals on JCI standards to enable implementation of the standards throughout the country\(^1\)
- In terms of quality, Turkey should consistently strive to meet or exceed US and European medical standards

Notes:
1 2008 JCI Annual Report