

The School of Economics and Management in Public Administration in Bratislava



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Editorial Office:

Vysoká škola ekonómie a manažmentu verejnej správy v Bratislave

851 04 Bratislava 5, Furdekova 16

tel. +421 905 864 457

E-mail: sekretariat@vsemvs.sk

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OBSTACLES AND FACTORS OF MEDICAL SERVICES TRADE

Tetyana Kaminska¹, Nataliya Martynenko²

*¹Yaroslav Mudryi National Law University, ²Kharkiv National Medical University
Kharkiv, Ukraine*

¹kamtm@ukr.net; ²nmartynenko@ukr.net

Abstract. This publication deals with the main factors and obstacles influenced on the formation of the market for medical tourism services in Ukraine. Low mobility, disunity and imbalance with complementary tourism services are obstacles for the export of medical and recreational services. As far as international health business is concerned that it is growing rapidly, and there are factors influenced for the development of it. Authoresses mentioned the competitive advantages of medical and recreational services, which include not just the price, quality and variability of services, lack of queues, but also comfort and favourable climate, good landscape and roads, railways and architectural monuments.

Key words: medical tourism, competitive advantages, international healthcare business, variability of services.

The main peculiarity of the public health development compared to other spheres of economic activity for a long time had been territorial one bounded to a particular state. This process was investigated in the scientific literature mostly in national, rather than international survey. However, globalization and the development of post-industrial economy, restructuring of world trade in favour of services forced to look at this kind of social-economic activity differently. First of all, health care is one of the pillars of Global Competitiveness Index, so a priori cannot be limited by national frames. Secondly, international competition is developing in the market for tourism services, including medical tourism. It encourages economic science to generalize factors, which allow the company or the state to export medical services, to satisfy international demand for them, and to conquer certain segments of the global market.

It is necessary to emphasis, that export of medical services unlike goods implies their provision directly on the territory of the definite state. Services have no material

substance and they do not require storage and transportation. They cannot be moved from one country to another as a commodity. Service territoriality increases regional budgets, gross regional product and employment, creates new markets, and promotes competition. It plays a significant role in the context of the global trend of decentralization of the economy, which is also rapidly developing in Ukraine and needs the improvement the use of local resources.

Low mobility is an obstacle for the export of medical and recreational services and their limited recreational supply. They are usually local in nature. However, the presence of rare, unique healing natural and professional resources, which are lacking in other countries, is attractive to foreigners. Non-traditional medicine, which uses climate and terrain, stimulates the development of international healthcare business. Ukraine has such a rich natural potential.

Another obstacle to the export of medical services in Ukraine is their disunity and imbalance with complementary tourism services. In fact, together they enhance the beneficial effect for patients, as they add to the treatment a vivid impression of visiting a new country. The competitive advantages of medical and recreational services include not just the price, quality and variability of services, lack of queues, but also comfort and favourable climate, good landscape and roads, railways and architectural monuments. Costs, for creation of one workplace in tourism infrastructure are essentially smaller than in industry.

The difference in the cost of production and the expenses for treatment is a main factor for the development of international health business. The fact is that in developed countries it is growing rapidly. This trend is inherent to the USA especially. Thus, according to OECD data, the share of US health care spending in GDP increased almost twice between 1980 and 2017 (from 8.75 to 17.1%) [1]. What are the factors behind this trend? Firstly, it is the rise in the cost of new medical technologies, the fashion for new types of examination and treatment, the aging of the population, the emergence of new diseases, including gerontology ones, and the increase the outlays for the elaboration of new drugs. By the way, aging of the population is common problem to many countries, not just for the developed ones. According to the UN, life expectancy for the globe has generally increased for 7 years in the period between 1990 and 2016 [2]. The monopoly of pharmaceutical TNCs, their aggressive and expensive market promotion increases prices and the cost of treatment respectively. The asymmetry of information on the quality of patient

care is the favourable environment for the rising expenses. It allows doctors unjustifiably increase their number and results the growth of the cost of treatment. It becomes an obstacle for patients, their employers, and social funds and companies.

Even the US public health sector and mandatory health insurance in European countries do not stop medical tourists from these countries. Firstly, the US government does not cover the full cost of patients expenditures and leaves the franchise (as well as private insurance companies). Secondly, obtaining insurance is often over-burden by bureaucracy and procrastinations. In fact, bureaucracy is caused by careful and slow approval of new medicines and treatment methods by the U.S. Food and Drugs Administration. It is also very expensive process for pharmaceutical companies. All these factors are shifting the demand of US citizens for foreign treatment. In the European region, there is another factor (huge queues in hospitals) influenced a lot for the attractiveness of healthcare abroad. Therefore, solvent patients who find foreign countries as a place of treatment for their chronic illnesses without waiting lists and cheaper than in their home private clinics prefer and choose such kind of care.

They also go abroad to avoid the leakage of confidential information, especially public women. The quality of life and the desire to stay young longer drive many people's demand for cosmetic procedures, plastic surgery, dental and ophthalmic services. Weight loss programmes, face and body shapes adjustments are very popular among women. The appearance of a rich woman becomes a spending item similar to vacations expenditures or buying of jewelry. Demand for infertility treatment is on the rise and childbirth services are also popular. To this should be added the ethical component of medical practice such as high level of doctors' attention, their personal responsibility and detailed clinical test samples.

The development of IT technologies is one more factor in the development of international healthcare business. It helps to minimize the asymmetry of treatment quality information, which is a very sharp problem in the healthcare market in developed countries. Moreover, patients can estimate their solvency and choose the optimal variant of medical trip on-line. In 1990 there was not any information of possible treatment abroad, nowadays it is usual and is used very often. And, of course, modern air transport and jet aviation are significant for the development of international healthcare business.

Prospects are open for Ukrainian agents in this market, because they have absolute and relative competitive advantages of medical services. The demand for in vitro fertilization, dentistry, including cosmetic and implantation, as well as for author's dentistry, all types of dental rehabilitation, and treatment in combination with medical sleep is increasing in Ukraine. There is an international demand for ophthalmic treatment, pediatric cardiac surgery, MRT diagnostics, aesthetic medicine and cosmetology, plastic surgery in this country. As a rule, this demand originated from Ukrainian diaspora emigrants of Canada and the United States as well as from citizens of the neighbouring foreign countries. The interest of patients from far abroad to the unique treatment by stem cells is growing nowadays.

Medical tourism infrastructure in Ukraine develops rapidly. It includes marketing services, provider companies or service departments oriented on foreign patients. Medical institutions also started to improve service and they also are working out a transparent marketing model for attracting of foreign patients. Decentralization and autonomization of medical institutions, their transformation into non-profit enterprises is favourable condition for such strategy. Profitability of inbound medical tourism in Ukraine is climbing annually, private investments in public health rose substantially and this offsets the lack of public funding for the medical sector.

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