

Transforming the ASEAN Economic Community (AEC) Into a Global Services Hub: Enhancing the Competitiveness of the Health Services Sector in Thailand

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Abstract: Thailand has emerged as a major destination for medical tourism over the past decades and the AEC is likely to result in increased trade in health services. The objective of this study is to undertake a SWOT analysis for the health services sector in Thailand and to use the findings to provide recommendations on how Thailand could enhance its position to be part of the global service hub in the region. The SWOT analysis reveals that the Thai health services sector is well positioned vis-à-vis its competitors to harness the opportunities arising from increased medical tourism, especially given the high quality and standard of medical care, medical professionals and medical facilities. Yet, regulatory and institutional support is needed to be able to enhance the strengths and opportunities and mitigate weaknesses and threats, especially regarding the supply of medical professionals.

Key words: medical tourism; SWOT analysis; Thailand

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1. Introduction

Over the past decades, Thailand has seen a strong trend towards globalisation of trade in goods and services. Thailand is classified as an upper middle income country and the country's economy is highly dependent on exports, with exports accounting for 71 percent of gross domestic product (GDP) in 2010 (World Bank). Not only is Thailand's economy highly dependent on external demand, but it is also one of the most energy intensive economies in the region, implying vulnerability to oil price volatility (World Bank, 2011). Universal healthcare coverage was achieved in 2002 (MoPH, 2011), at a relatively low per capita income level and total health expenditures in percent of GDP stood at 3.9 percent in 2010 (World Bank). Over the period 1961 to 2010, GDP growth was 6.4 percent on average (World Bank). In 2009, however, GDP contracted by 2.3 percent due to the global financial crisis, which together with domestic political uncertainties also had an impact on the growth rate

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of international patients from abroad seeking medical treatment in Thailand.

While Thailand has been a well-known tourist destination for many decades, medical tourism in its present form only emerged in the wake of the 1997 Thai financial crisis, when bed occupancy in most private hospitals significantly declined. High-end private hospitals, which had invested substantially following the 1993 financial liberalisation, had no choice, but to attract medical tourists from abroad. Since then, various policy measures to promote medical tourism and become a medical hub, in order to generate revenues for the country, have been announced.

The number of international patients was 1.4 million in 2009 including general tourists and foreigners who work or live in Thailand, with medical tourists accounting for an estimated 30 percent (NaRanong & NaRanong, 2011), reflecting that Thailand has become a leading destination for medical tourists from almost all continents. Trade in health services was estimated to be worth 63,822 million THB in 2008, of which 62 percent was accounted for by medical services and 27 percent by health promotion (MoPH, 2009).

As the Association of Southeast Asian Nations (ASEAN) moves towards an ASEAN Economic Community (AEC) in 2015, deeper integration of trade in health services is expected, especially since the health sector is one of the identified priority areas under the ASEAN Framework Agreement on Services (AFAS). It is therefore important to position the Thai health services sector vis-à-vis health services sectors in other countries. Without a positioning, an impact and scenario analysis of increased regional and global trade in health services cannot be conducted. This paper focuses on the former, while leaving the latter for future research.

The objective of this paper is to undertake a SWOT analysis for the health services sector in Thailand. The findings are used to provide recommendations on how Thailand could enhance its position as part of the global service hub in the region.

2. Method

This study is a descriptive study focusing on medical tourism (Smith, Álvarez, & Chanda, 2011, p. 277)¹ and it involves (1) reviewing the literature dealing with medical tourism and its various dimensions² and (2) conducting semi-structured interviews with representatives of health service providers (HSPs) to gain further insight into strengths, weaknesses, threats and opportunities for the SWOT analysis. The semi-structured interviews were conducted in the first half of 2011.³ 20 HSPs (15 hospitals and 5 clinics in two major destinations for medical tourism, Bangkok and Pattaya⁴) were selected purposively based on size (i.e., small, medium-sized and large HSPs), specialisation (i.e., general and specialised HSPs) and perceived importance from websites providing information for medical tourists from abroad such as for example the Thailand Medical Tourism Portal. 5 hospitals (4 of which are located in Bangkok and one in Pattaya) and 1 (general) clinic (located in Bangkok) eventually participated in this research.⁵ Given the qualitative nature of this study, the findings are not meant to be generalised and should be interpreted with caution.

¹ Define medical tourism as “*the practice of travelling to another country with the purpose of obtaining health care*” and exclude wellness tourism.

² The search was done through standard search engines using international trade in services/medical tourism/medical hub and Thailand/ASEAN as keywords.

³ The data were originally collected for Supakankunti and Herberholz (2011).

⁴ Other destinations are Chiang Mai, HuaHin, KohSamui and Phuket.

⁵ A very low response rate is also documented in Pachanee and Wibulpolprasert (2006). The authors note that a survey of 20 private hospitals serving foreign patients had a response rate of 35 percent.

3. Medical Tourism and Medical Hub Policy in Thailand

Trade in health services is governed by multilateral, regional and bilateral trade agreements. The General Agreement on Trade in Services (GATS) provides the framework for negotiating multilateral liberalisation of trade in services, but few commitments have been made and also Thailand has not made any specific commitments as yet (WTO, 2011). The most important regional trade agreement for trade in services is AFAS as stated above, which operates under the GATS-plus principle. The health sector is one of the identified priority areas and Mutual Recognition Agreements (MRAs) were signed for nursing services, medical practitioners and dental practitioners to facilitate the movement of natural persons (ASEAN). Besides, Thailand is committed through other regional and bilateral trade agreements.

The vision that “*Thailand will be a world class Medical Hub*” is explicitly stated in MoPH (2009, p. 17) and entails collaboration with a number of agencies such as the Tourism Authority of Thailand, the Ministry of Education, the Ministry of Foreign Affairs, the Ministry of Commerce and the Ministry of Labour, which highlights the importance of a multi-sectoral partnership, which includes the Ministry of Public Health (MoPH), as discussed in Pachanee & Wibulpolprasert (2004, 2006). The medical hub strategy in general is aimed at developing Thailand into a first-class destination for medical tourists and is accompanied by internal and external quality assurance mechanisms.

The literature (Janjaroen W. S. et al., 1999, 2007; Arunanondchai & Fink, 2005; among others) identifies several pull and push factors that are particularly conducive to GATS-Mode 2 trade in health services (consumption abroad)⁶. Most commonly cited push factors include high cost of obtaining services and long waiting queues in the home country as well as limited insurance coverage. Pull factors discussed in the Thai context are low cost of obtaining services of similar and acceptable quality, price certainty through fixed package prices offered by medical facilities, well developed tourism-industry and other supporting industries (e.g., low cost of travelling, accommodation and food as well as other tourism activities, attractions and entertainment), excellent hospitality and low entry barriers. Thailand originally focused on tourism related areas such as spas, traditional massages, herbal treatments and other kinds of alternative medicine. In recent years, however, private hospitals have explored niche markets in simple elective medical procedures and are now increasingly moving towards complex, high end procedures.

4. Analysis

To assess the business climate in which HSPs operate, internal and external characteristics are examined to conduct a SWOT analysis, which is summarised in Table 1.

4.1 Internal Factors

Important internal factors are (1) human resources, (2) modern medical technology and (3) internal financial resources for expansion.

4.1.1 Human Resources

Thailand’s medical professionals consist of highly competent and internationally qualified doctors, nurses and technical staff, service-minded and hospitable, and the medical capability of Thai medical professionals is

⁶ Under the GATS, four modes of trade in services are distinguished, namely cross-border supply, consumption abroad, commercial presence and presence of natural persons (WTO, 2011).

generally considered equal to medical professionals in Western European countries and America. As such, a full range of medical services can be offered. Hospital management teams, especially in large hospitals, are deemed highly qualified and innovative, as evidenced in the continuous development of new products and services.

Due to an emphasis on producing health personnel, the number of doctors, dentists, pharmacists and nurses per population has improved over the past years, but still lags the infrastructure prevalent in countries such as for example Singapore. In 2008 for instance, the population/doctor ratio was 955 in Bangkok but 5,028 in the Northeast (MoPH, 2011), reflecting regional disparities. The informants suggested that internal brain drain is a major problem, given that doctors and nurses in the private sector earn 3 to 5 times as much as in the public sector. The problem of internal brain drain may be worsened by the policy incoherence between the universal healthcare coverage policy and the medical hub policy (Pachanee C. & Wibulpolprasert S., 2006). In addition, a major challenge was seen to be the mal-distribution of health resources among urban and rural areas. Besides, informants noted that English and other foreign language skills, especially of Thai nurses, are insufficient compared with countries such as Malaysia, the Philippines and Singapore.

According to Suppradit (2010) among others, the only disadvantage of Thailand's medical professionals compared to their counterparts in Western Europe and America lies in the conduct of medical science research due to research funding constraints, which was also confirmed by informants.

Another problem is the Medical Malpractice Victim Protection Bill that has been in limbo since 2010. Informants stated that if passed it would decrease the efficiency of medical professionals as these would be afraid of making mistakes. It was acknowledged though that the Bill might eventually attract more medical tourists to Thailand as it would implicitly provide more protection to medical tourists.

4.1.2 Modern Medical Technology

Modern facilities, medical equipment and medical technology have made Thailand a major destination for medical travel. Many Thai hospitals received Hospital Accreditation of Thailand and international accreditations such as ISO or Joint Commission International (JCI) accreditation. Yet, Thai traditional medicines and massages have increasingly gained recognition.

However, the use of modern medical technology, especially high-tech medical equipment, is mainly confined to large urban areas and private hospitals rather than public hospitals. In addition, most medical equipment and medicines are imported rather than produced domestically. Also given rapid technological change, facilities, medical equipment and medical technology have to be upgraded continuously.

4.1.3 Internal Financial Resources

Some informants, representing smaller HSPs, stated that they have insufficient financial resources for expansion and therefore require support from the government, which could pose a potential threat for SME expansion in healthcare.

4.2 External Factors

External factors include (1) external market environment, (2) domestic market environment, (3) presence of supporting industries and (4) the state of infrastructure such as transport, communications and energy infrastructure.

4.2.1 External Market Environment

Thailand's main competitors in medical tourism are regional players, namely India, Malaysia and Singapore, all of which have different strengths and weaknesses. While Singapore and to some extent India focus on more complex medical procedures such as, e.g., cardiac surgery, Thailand and Malaysia have traditionally been strong

in tourism-related areas and thus rather simple medical procedures such as, e.g., cosmetic surgery, and have only recently started to emphasise more complex medical procedures such as, e.g., organ transplants and joint replacements in the case of Thailand (UN ESCAP, 2009). The general tourism infrastructure like hotels, shopping malls and restaurants is also an important component of the hospital supply chain for international patients. In 2005 an estimated number of 500,000 international patients were treated in India, 370,000 in Singapore, 400,000 in Malaysia and 1,250,000 in Thailand (UN ESCAP, 2009), indicating that Thailand is leading in terms of international patients treated in the country. The Private Hospital Association and Business Council of Thailand assessed the comparative advantage of Thailand relative to its main competitors and identified service and hospitality, quality of human resources and reasonableness of cost as the main competitive advantages of Thai HSPs, while the strength of Singaporean HSPs is reported to be the availability of high-tech hardware and the quality of human resources (MoPH, 2009). Reasonableness of cost is seen to be the strength of Indian and Malaysian HSPs (MoPH, 2009). Government support for medical tourism in India, Malaysia and Singapore can be considered strong (UN ESCAP, 2009).

The well advanced ageing process in most developed countries, resulting in higher prevalence of chronic diseases and contributing to cost escalation, coupled with the continuing global trend towards health and wellness awareness is expected to strengthen the push factors that drive medical tourism. The ongoing European sovereign debt crisis, on the other hand, is viewed by informants as weighing negatively on the demand for medical tourism.

4.2.2 Domestic Market Environment

The private hospital sector in Thailand is exposed to intense competition which exerts pressures on current players to maintain and upgrade their services. The number of private hospitals increased rapidly between 1994 and 1997, concomitantly with financial liberalisation as well as due to tax incentives, some of which experienced financial difficulties in the wake of the 1997 crisis and had to be closed, however. With the introduction of the universal coverage scheme, some smaller and medium-sized private hospitals repositioned themselves towards social insurance, while large private hospitals continued to focus an affluent Thai and increasingly foreign patients. 78 percent of private clinics and 70 percent of private hospitals, most of which are medium-sized with 51 to 100 beds, are located in provincial areas, while 21 out of 31 large private hospitals, with more than 200 beds, were located in Bangkok (MoPH, 2011). Most hospitals beds in Bangkok are in private hospitals, while most hospitals beds in the provinces are under the MoPH, with MoPH hospitals having the highest bed-occupancy rate and hospitals under the Ministry of Defence and private hospitals the lowest (MoPH, 2011). Most private hospitals are for-profit and 13 large private hospitals were listed on the Stock Exchange of Thailand as of June 2011 (SET Market Analysis and Reporting Tool), giving them needed access to external sources of funds. In addition, there has been a trend towards cross-shareholdings of the large hospital groups in Thailand to realize economies of scale and scope and strengthen their position in the region. Strategic partnerships should be explored further in the future.

Thailand's health system is facing significant challenges in light of its demographic and epidemiological transition, which may exacerbate health personnel shortages in the future, especially in rural areas. If Thailand fails to meet the demand of the population for quality healthcare services, people will question why the best services are given to foreigners instead of Thai citizens.

Besides, patient demands have increased concomitantly with increases in material well-being, which are especially visible in the area of cosmetic surgery.

4.2.3 Supporting Industries

Thailand's well-developed tourism industry is the main supporting industry for the medical tourism industry. Main players include travel agencies, tour operators, hotels, restaurants, operators of tourism attractions and entertainment. Other supporting players include medical research affiliations and educational institutions. Informants pointed to a lack of cooperation among key stakeholders in the absence of a single coordinating agency.

4.2.4 Infrastructure

Thailand's infrastructure (e.g., hospitals, research centres, educational institutions, tourism sites, transportation etc.) is generally considered well-developed and hospitals serving medical tourists are typically located in Bangkok or other urban areas such as Pattaya on the Eastern Seaboard, which are within easy reach of Bangkok.

The results of the SWOT analysis are summarised in Table 1 below.

Table 1 Summary of SWOT Analysis

Strengths High quality medical professional workforce Hospitality and service mind State of the art medical equipment High quality and standard of medical care Variety of services and continuous new product and service development Good physical infrastructure Low cost of medical treatments Large private hospitals run by experienced management teams Thai medicines, massage, and herbal products	Opportunities Increased contribution of medical tourism to economic growth Increased competitive pressures (which may help improve medical infrastructure and increase the quality of medical professionals further) Demographic change, rising prevalence of chronic diseases and cost escalation in developed countries Trend toward health and wellness tourism and use of herbal medicine and traditional treatment alternatives Strong local demand for cosmetic surgical procedures
Weaknesses Production and distribution of human resources Possible negative impact of medical tourism on (1) internal brain drain and (2) equitable access to quality health services for Thai people and (3) medical expenses for self-paying Thai patients Lack of foreign language skills Intense competition Few strategic partnerships Policy incoherence and lack of cooperation among key stakeholders Weak medical malpractice law Most medical equipment and medicines are imported High energy dependence Lack of funding, especially for SMEs	Threats Intense competition among domestic, regional and international medical and tourism providers triggering consolidation of the sector Emergence of new players such as Malaysia Lack of medical science research; no clear dominance in technological or basic research Demographic change in Thailand Lack of support from the population and prevalence of inequities European sovereign debt crisis

5. Concluding Remarks

The objective of this paper is to undertake a SWOT analysis for the health services sector in Thailand and to use the findings to provide recommendations on how Thailand could enhance its position to be part of the global service hub in the region.

The SWOT analysis reveals that Thailand is well positioned relative to its competitors to harness the opportunities arising from increased medical tourism, inter alia given the high quality and standard of medical care, medical professionals and medical facilities. Yet, regulatory and institutional support is needed to be able to enhance the strengths and opportunities and mitigate weaknesses and threats.

Establishing leadership in technological or basic research and providing funding for new medical technology and entrepreneurial ideas will enhance Thailand's position as a leading destination for medical tourists.

The major challenge, however, is to deal with the looming shortage of medical professionals in certain fields.

While allowing foreign doctors to practice in Thailand could potentially reduce the internal brain drain problems, in practice foreign doctors, who could focus on treating foreign patients, are unable to pass the examination set by the Thai Medical Council or Dental Council and overcome language barriers. The main reason behind this regulation is that someone working in Thailand should be able to communicate in Thai with Thai patients as well as foreign patients. One informant suggested prolonging the retirement age of doctors, while others recommended further increasing the number of graduates from medical schools. A related problem is that medical education is largely subsidized, while private hospitals who are recruiting medical graduates from the same pool of graduates, hardly share the costs of producing these. Bonding and offering financial incentives have been employed to prevent the internal brain drain from rural public hospitals to urban private hospitals and more generally from rural to urban areas, which could be strengthened. Besides, given excess capacities in the private sector, attempts should be made to harness the existing private sector better to achieve health systems.

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