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**THE PRIORITY DIRECTIONS
OF NATIONAL ECONOMY DEVELOPMENT**

**MEDICAL TOURISM DEVELOPMENT AND GOVERNMENT
INCENTIVES IN TURKEY¹**

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***Abstract:** Medical tourism has grown rapidly due to the increased costs in developed countries. This trend created an opportunity for undeveloped or developing countries to bring foreign exchange which is vital for their economies. That's why, medical tourism and government incentives has been evaluated as a direction example for national economy development. Undeveloped and developing countries can direct the investment of private sector to medical tourism in order to maximize their service export revenue and increase competitiveness by using government incentives.*

***Keywords:** Medical Tourism, Government Incentives, Service Export, Turkey,*

1. Introduction

In the last twenty years, world witnessed reverse movement of patients to abroad for obtaining medical treatments (Connell, 2013: 116). Patients were used to travel from least developed countries to the developed countries due to the lack of necessary technology, human resources and facilities. But, undeniable effect of globalization revealed itself at all sectors related with goods and services. As a consequence of easing the trade barriers, movement of capitals and internet which spread the information instantly to anywhere, helped undeveloped countries to catch up with developed countries in terms of health care supply. Undeveloped and developing countries are endowed with qualified human resources, advanced technological devices and tourism facilities with competitive prices compared to the developed countries for supplying health care to the patients.

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Recently, medical tourism has gained a rapid pace due to expensive treatment prices in developed countries, long waiting lists, cheaper or more convenient airway transportation, currency exchange rate advantage of citizens of developed countries and aging of baby boomers (Connell, 2006: 1094). These factors have driven patients to become medical tourists whose spendings are very important revenue for undeveloped and developing countries. Since export doesn't only consist of goods but also services, countries that wanted to be service exporter should direct its private sector to medical tourism related areas by using incentives.

Average spending of medical tourists 10 times higher than classic tourists (Ministry of Health: 2013:26). So countries which can understand the main factors behind medical tourism trend not only should make the necessary investments but also use incentives as a tool for gaining economic benefits from medical tourism. In this regard, medical tourism which is a rapidly increasing niche market has been introduced and then Turkey's incentive policy has been explained in this paper.

2. Medical Tourism

In order to define medical tourism, it is necessary to explain the notion of health tourism firstly and its connection with medical tourism. Health tourism and medical tourism are the phrases that are misused due to the similarities. So the notion of "medical tourism" should be used if any medical interventions involved, while keeping in mind that "health tourism" phrase covers all forms of health-related tourism (Connell, 2006: 1094). Within this perspective medical tourism can be seen as a subset of health tourism. So, international service trade is general roof for all kind of services. Medical tourism is just one subset of health tourism which takes place under Mode 2: Consumption Abroad.

At this point it is necessary to define medical tourism. According to Deloitte (2010: 2) medical tourism is defined as the act of travelling abroad to obtain specialized or economical medical care, well-being and recuperation. Or medical tourism can be defined simply as "*where and when patients travel overseas often over considerable distances, to take advantage of medical treatment which are not available or easily accessible (in terms of costs and waiting time) at home*" (Connell, 2011: 11). Medical tourism also considered as an economic activity that entails trade in services and brings at least two sectors together like health and tourism with the aim of improving medical tourists' health (Bookman and Bookman, 2007: 1). As it is seen in the definitions, travelling abroad, searching available and cheaper treatment are the main factors that drives people to take part in medical tourism activity.

After the literature review, it is seen that there are nine factors that affect people to be medical tourist are respectively technology, waiting time, quality of health care, cost, and vacation, advances in transportation, confidentiality, cultural values and possible complications. So all these factors should be evaluated carefully before having the decision to obtain treatment abroad. These factors are explained briefly below;

Technology: Development telecommunication technologies such as telediagnosis and teleanalysis reduced geographic barriers for cross border trade in medical services (Bookman and Bookman, 2007: 4). Besides that, spread of internet made it possible to reach and evaluate information by medical tourists. *Waiting Time:* American citizens prefer

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to travel India and obtain the necessary treatment instantly instead of getting the same treatment in USA after long waiting list which may take months (Bies and Zacharia, 2007: 1145). For example, after diagnosis patients should wait in Finland around 110 days in order to have simple cataract operation which can be done in medical tourism destination in couple of days (OECD, 2013: 151). *Quality of Health Care*: Trust in the quality of health care services in medical tourism is satisfied by organizations as Accreditation Canada (Canada), Joint Commission International (USA), Japan Council for Quality (Japan), Health Care Accreditation (Jordan) etc. (www.isqua.org). So that medical tourists can compare the quality of treatment abroad with the one at home country. *Cost*: Price of treatment can vary depending on the destination country. For example, a patient from Yemen is choosing India instead of other medical tourism destinations nearby. This shows the effect of cost to medical tourist on choosing destination (Kangas, 2007: 302). Spine maroon transplantation costs \$300.000 in USA, while it costs \$40.000 in India, \$40.000-70.000 in Turkey, \$200.000 in Switzerland (www.healthinturkey.org). *Vacation*: Buying a treatment package, gives medical tourist a chance to vacation, travel and getting to know the exotic culture of another country (Yim, 2005). *Advances in Transportation*: Cheap travel options to far and remote destinations, speeded up the medical tourism trend (Bookman and Bookman, 2007: 4). *Confidentiality*: Privacy and confidentiality are very important push factor for medical tourist in search for treatment or operations such as drug and alcohol rehabilitation, abortion or sex change (Connell, 2011: 47-48). *Cultural Values*: Language barriers and cultural differences are some barriers that may disturb medical tourists during operation. Today, health care suppliers have translators in many languages and also are more sensitive to cultural or religious differences, such as Muslims doesn't eat pork meat etc. (Liu and Chen, 2013: 79-82). *Possible Complications*: One of the reasons why complications occur is that medical tourist demand too many operation in a short time even though doctors' advice not to do so. Other complication is wrong treatment which is general risk at anywhere (Herrick, 2007, 18-19). Another complication is the one that may occur after the operation back at home and follow up care (Bies and Zacharia, 2007: 50-51).

Numbers that indicate the medical tourists are not consistent around the world but it can be said that these numbers keep increasing consistently each year (Deloitte, 2011: 5-6). In 2007, 750.000 patients travelled abroad to obtain medical treatment (Deloitte, 2008: 3). When medical tourism evaluated from economic perspective, total sector size was 79 billion dollars annually and expected to reach 130 billion dollars by the year 2015 (www.nydailynews.com). Having some share from these amount of money can make huge contribution to the countries' economic prosperity which are consist of spreading social welfare, decreasing unemployment rate by creating new job areas, preventing brain drain, increasing GDP per capita and foreign currency reserves in the country, and besides that have a spillover effect on other sectors and economy in general.

3. Importance of Government Incentives for Economies

Incentives can be defined as monetary or non-monetary supports, aids and attracting attentions for particular economic activities to grow and compete with the international markets (Duran, 2010: 106). In developing or undeveloped countries, government incentives are given to deal with the problems such as inadequate saving, income imbalance, inadequate capital, imbalance between regions, unemployment,

inefficient use of natural resources, lack of education and audit of entrepreneurs, and economic crises (Günay, 2009: 10-11). So the aims of government incentives are (Sönmez, 2005: 125-126; Acinöroğlu, 2009:150);

- Increase the savings and investment volume,
- Decrease or eliminate the negative effects of taxes on economic decisions,
- Assure the economic stability and increase welfare,
- Decrease or eliminate the effects of inflation,
- Increase the employment level,
- Increase the export, foreign exchange and power to compete internationally,
- Protect the newly established entities,
- Eradicate the imbalance between regions,
- Increase the competitive advantage of specific product or industry,
- Increase the ratio of shareholders' equity in the total investment,
- Try to decrease the development imbalances between regions by directing investments to the less developed or undeveloped regions,
- Adaptation to the technological innovations and so on.

4. Government Incentives in Turkey

Turkey is the 6th most attractive tourism destination in terms of tourist numbers in the world (UNWTO, 2013: 6) and revenue of the tourism sector was nearly 30 billion US \$ in 2012 and 33 billion US \$ in 2013 (TUİK). As it can be seen from the numbers, tourism is a huge and important revenue generating sector for Turkish economy.

Until 2012, all foreigners who demand treatment in Turkey were seen as international patients. But in 2012, international patients were divided into four different types according to how they come to Turkey which are bilateral agreement, medical tourism, Social Security Institution agreement and health care of tourist according to the way how patients comes to Turkey (Ministry of Health, 2013: 26). This new categorization is very important in order to specify exactly how many medical tourist demand treatment, which type of treatment preferred the most and which countries are the medical tourist from mainly.

Number of medical tourists that visited Turkey were 169.462, Istanbul (55.985) and Antalya (47.649) are the first two most visited city respectively among these medical tourists, eye surgeries (20.822) and orthopedics and traumatology (17.498) are the most demanded operations respectively in 2012 (Ministry of Health, 2013: 26, 44, 48). When the revenue of medical tourism is evaluated closely it can be watched separately as government hospitals and private hospitals. The number of medical tourist who visits government hospitals were 14.766, and average revenue per medical tourist were 9.000 US\$ and total revenue was 132.894.000 US\$ in 2012. While the number of medical tourist who visits

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private hospitals were 154.696, and average revenue per medical tourist were 12.000 US\$ and total revenue was 1.856.352.000 US\$ in 2012 (Ministry of Health, 2013: 77). So we can easily say that private sector is more active and successful in finding or attracting medical tourists. Besides that, average revenue collected from medical tourists is also higher in private hospitals than government hospitals.

Government incentives that directly related with the medical tourism are the ones that are given by the Ministry of Economy according to “2012/4 Sayılı Döviz Kazandırıcı Hizmet Ticaretinin Desteklenmesi Hakkında Tebliğ” which can be translated as law on promoting the service trade that brings foreign currency (www.ekonomi.gov.tr). Turkish government tried to support this niche and growing market trend by giving the 9 incentives as follows;

- 1- *Search Engine Support:* This incentive aims to support health tourism entities if they give ads on Google, Yahoo, Yandex and Baidu. The limit of this incentive is maximum 100.000 US\$ and only 50% of the ads are paid back.
- 2- *Documentation Support:* Health related institution’s document, certificate, accreditation etc. related expenses are covered with this incentive. But these documents must be on the list of Ministry of Economy such as JCI accreditation, Accreditation Canada, ACHSI (Australian Council on Healthcare Standards International) etc. Limit of this incentive is maximum 50.000 US\$ per document and only 50% of it is paid back.
- 3- *Consultancy Support:* Health tourism entity can benefit from this incentive only once with the pre-approval of the Ministry of Economy. Frame of the consultancy can only be related with marketing strategy, accreditation and structure of international markets. Limit of this incentive is maximum 200.000 US\$ and only 50% of it is paid back to the entity.
- 4- *Patient’s Travel Support:* This incentive is only for the medical tourists who come from the countries that are listed by the Ministry of Economy. If the health tourism entities bring a medical tourist, 50 % of the travel expenses are paid back until 20% of the treatment price and no more than 1.000 US\$ per medical tourist.
- 5- *Organization Support:* Attending of the health tourism entities to fairs, conventions and conferences abroad are supported ten times in a year. Limit of this incentive is maximum 15.000 US\$ for each activity and only 70% of the expenses are paid back to the entities.
- 6- *Report Support:* Health tourism entity can benefit from this incentive only with the pre-approval of the Ministry of Economy. Frame of the report can be about a sector, a country, international law or investment. Reports can be bought or prepared and 60-70% of these reports are supported from 100.000 till 300.000 US\$ depending on the type of the entity.
- 7- *Trade Commission and Purchase Support:* Government supports trade commissions that travel to another country for getting in touch with the potential customers. 70% of expenses such as travel, accommodation, advertisement, marketing, consultancy, organization and translator are supported till 150.000 US\$ with this incentive. Only 5 times in a year can be benefited from this incentive and pre-approval of the Ministry of Economy is necessary.

- 8- *Support for Unit Abroad:* This incentive implies that if the entities open a unit abroad, government supports the 60-70% of the rent for each unit (maximum ten unit per entity) from 200.000 till 300.000 US\$ depending on the type of the entities for four years. Pre-approval of the Ministry of Economy is necessary to be able to benefit from this incentive as well.
- 9- *Support for Advertising Abroad:* According to the incentive, entities spending related with the advertising, sponsorship, consultancy, attending and organization for the fairs, conference and independent advertising campaigns are paid back with the rate of 50-70% of total expenses from 300.000 till 500.000 US\$ depending on the type of the entity. Medical tourism entities can have the cost advantage for giving advertisement on radios, TV channels and even website design in foreign languages. Pre-approval of the Ministry of Economy is necessary to be able to benefit from this incentive as well.

4. Conclusion

Rapid development trend of medical tourism reached the size of sector 130 billion US\$ in 2015 according to the forecasts. Share of international service trade has gained importance after globalization encouraged many countries such as India, Thailand and Singapore to chose medical tourism as target sector and develop strategies accordingly. The reasons behind this is that medical tourism brings tourism and health sector together, and average spending of medical tourists is ten times higher than normal tourists (Ministry of Health: 2013:26).

Turkey is one of these countries that recognizes the potential and importance of the medical tourism. That's why Turkey took the necessary steps to develop medical tourism in Turkey. One of these steps is government incentives. Others are giving importance to education of human resources, investing in infrastructure and superstructure, and promoting complementary tourism products such as cultural heritages, natural beauties and Turkish hospitality and so on. In this study medical tourism and government incentives are introduced and evaluated. Government incentives in Turkey contribute not only to the development of medical tourism entities but also made them more competitive in global competition by lowering their costs which is a vital advantage. This structure may be a guideline for undeveloped and developing countries due to diversity and well thought contents and restrains of government incentives in Turkey. Besides that, new incentives such as occupational and cultural awareness training of the stuffs, learning new languages may be given for increasing the competitiveness of countries.

In the future studies, researchers would extend the medical tourism literature by examining comparison of incentives in different countries, efficiency of government incentives and effect of government incentives on medical tourism performance of countries.

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RAZVOJ MEDICINSKOG TURIZMA I PODSTICAJI VLADE U TURSKOJ

Apstrakt: Medicinski turizam je naglo porastao zbog povećanja troškova u razvijenim zemljama. Ovaj trend je stvorio priliku nerazvijenim ili zemljama u razvoju da ostvare spoljnu trgovinu koja je od vitalnog značaja za njihove privrede. Zato su medicinski turizam i Vladini podsticaji ocenjeni kao smer za razvoj nacionalne ekonomije. Nerazvijene i zemlje u razvoju mogu usmeriti investicije privatnog sektora ka zdravstvenom turizmu kako bi se povećali prihodi izvoza usluga i povećala konkurentnosti pomoću vladinih podsticaja.

Ključne reči: medicinski turizm, podsticaji Vlade, servis izvoza, Turska