

# Estonian growth opportunities in healthcare services

Estonian Development Fund revealed in October 2010 a study “**Healthcare services 2018**” which is part of a wider foresight project on Estonia’s service economy initiated in 2008. The study analyses opportunities for Estonia’s export of health and wellness services in the next decade, outlines choices for strategy, and makes recommendations for action.

The study tested a hypothesis that Estonia has a potential for exporting healthcare services. The hypothesis was based on three assumptions: 1) global growth of the volume of healthcare services, 2) a perceived strength of Estonia’s healthcare system and services, and 3) Estonia’s intention to develop a knowledge-intensive, predominantly service-based export-oriented economy.

The basis for justifying the topic of this study was the fact that commercial presence/outward direct investments and consumption abroad/health tourism comprise two major ways of cross-border provision of healthcare services (respectively 50% and 40% of global healthcare services export turnover). After considering different modes of exports and Estonian capacities, it was concluded that the opportunities to increase Estonia’s export of health services may be primarily sought in **health tourism**, and therefore the report focuses mainly on this topic.

The quest for a better service quality, lower prices and shorter queues are driving healthcare tourism at the level of individuals as well as at the level of national health systems (insurers). It is important to mention that in spite of the risks that critics of health tourism point out, international experience allows to conclude that smartly planned it would bring additional resources into the system while simultaneously improving the quality of healthcare services in its entirety. According to the survey conducted in the course of this study, 68% of managers of Estonian healthcare institutions and businesses reached the same conclusions.

European countries protect their internal healthcare markets very diligently, but at the same time the **pressure to open markets** continues. The European Union directive on the free movement of patients, which will adjust rules and compel member states to abolish barriers to cross-border healthcare, mainly caused by the lack of information, will most probably be adopted in December 2010. When European consumers become aware of it, preconditions will be created for the formation of a common market for healthcare service provision and more active movement of services between member states. The better market position will go to the countries that are ready for this new situation sooner.

More than half of all Europeans would be willing to consume healthcare services abroad according to the survey conducted in the European Union in 2007. But only 4% (c. 17 million adults!) have actually experienced cross-border health services within a year. For future oriented strategies, it is important to notice that younger and more educated people are more likely to use and already use services outside their home country more often.

The general set-up of Estonian healthcare system provides good conditions for exports of health services. A sufficient supply of state-of-art technological resources together with high-quality expertise and price advantages for some time to come, are the **strengths of Estonia**.

The analysis of the current situation of Estonia’s exports of health services showed that Estonian healthcare providers are familiar with healthcare exports (primarily by serving foreign patients). The



survey conducted in the course of this study in 2009 revealed that 30% of all providers have dealt with it and there are businesses in Estonia whose lion's share of turnover derives from such exports (medical SPA's mainly). It is very difficult to calculate total health services export turnover, but a rough estimate at the moment could be 16-23 million Euros. Most of the business managers believed that exports of healthcare services would increase in the near future, although the majority of them did not make any active efforts to achieve this kind of growth.

In the short term, the shortage of staff and in some cases facilities that do not meet the standards needed for exports may become inhibiting factors. The managers of institutions polled consider Estonian healthcare services very good, but missing the attractive, foreigner-oriented marketing and sale that would bring customers into Estonia. A relatively large flow of tourists to Estonia will provide an important starting point to create sound conditions for building the confidence of potential healthcare clients from abroad.

Health tourism appears to be a logical way to continue developing tourism, because it would be much easier to offer **value-added healthcare services** to people who have already been to Estonia as tourists. The tourism sector is seeking possibilities to highlight the safety and uniqueness of the destination country; tourists increasingly prefer trips based on specific interests.

To increase the potential of healthcare export, the study recommends starting with the fields of healthcare services that already have primary export capacity, including providers' higher capabilities and desire to invest, and where potential target markets have experienced relatively high and fast-growing demand. Good results could also be achieved in other fields when choosing an appropriate strategy, but would take longer.

A possible model for Estonia to systematically develop healthcare export would be the use of a public-private partnership platform (e.g. the establishment of healthcare export agency) which would develop export capacities and cooperation between different actors; and among other things would through presenting early wins increase support from the wider healthcare community and within the wider society in general.

Besides developing export capabilities of health services, related fields such as **ICT, biotechnology, medical education** should be integrated into a common export strategy from the very beginning. Such an approach would generate a multiplier effect and have a greater impact on all the parties of a country's economy. The creation of a successful regional medical centre would amplify export potentials in the related fields; and high-quality research and development would in its turn add reliability for Estonia as the possible destination for international patients.

Deciding to develop healthcare export, Estonia can choose between different strategies or mix them. The fastest growth in exports of healthcare services could be achieved by taking full advantage of the **synergy of tourism, wellness and health services**. Somewhat more ambitious strategy could involve specialising in the fields where Estonian healthcare providers already have experience in export and which is supported by a high and fast-growing market demand in adjacent countries. But the opportunity may also be hidden in focussing on the major health related challenges of neighbouring countries (e.g. alcoholism, obesity, elderly related care etc) and providing innovative service packages there. The goal of the most ambitious strategy option could be the establishment of a high-level international medical hub in Estonia. Despite strategy choice, all of them would require a willingness to make targeted and long-term investments in Estonian medical services and its related fields.

In order to stand out among other healthcare service exporters, it would be wise to make best use of related strength, for example to integrate ICT-based solutions into a value chain of export services. Considering Estonia's capability in technology, promising areas of export in the future would probably involve the introduction of innovative ICT-based service and business models and also, through ICT, the



incorporation of cross-border components as parts of services. At the same time, this would require additional strategic efforts and will be more difficult to reach, being like the apple at the top of the tree.

When selecting target markets, there are no countries where Estonia could export its healthcare services with little effort and fast profit. Also, international experience shows that usually it is more likely to be successful in **neighbouring countries' markets**. For Estonia, the Finnish market might have the greatest potential, because it is easier to enter than other markets, but its size is not so large when compared to Sweden or Norway that both have higher barriers to entry. Northwest Russia, where poor healthcare outcomes leave great problems for the local population, certainly has growing potential. So have Latvia, Germany, United Kingdom, etc., but in these countries there are different negative factors to consider: limited market and purchasing power in the case of Latvia; and in Germany and Great Britain, Estonia is relatively unknown and the distances are greater.

Aging and the development of technology force societies to adapt to unknown conditions. In this context, healthcare systems everywhere face inevitable needs for changes. Estonia can take an active stand in this situation and exploit the opportunities that this transformation is creating. The export of healthcare services would not be easy to start, but if started could in mid to long term bring remarkable benefits for both - the Estonia's healthcare system and economic development in general.

To sum up, the study showed that for Estonia it is possible to increase the export of healthcare services, but it will require serious efforts: **clear strategy focus, cooperation** between different parties and willingness to make **longer-term commitment**.

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