

4. OPPORTUNITIES AND CHALLENGES FOR DEVELOPING COUNTRIES IN THE HEALTH SECTOR

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Current estimates place annual global health-care expenditure in excess of \$3 trillion per annum. Unlike other service sectors, the health sector has only recently entered a globalization phase. Despite the considerable opportunities that globalization offers to the health service sectors of developing countries, it is predominantly developed countries that are taking advantage of the opportunity to provide health services in a globalized market. Only a limited number of developing countries such as Cuba, India and Jordan are currently competing at a significant level. Most developing countries still have to grasp the opportunities that globalization offers to their health sectors.

Opportunities for developing countries

Various international driving forces are exerting a significant influence on health services in all countries and are creating opportunities for developing countries in the health service sector. Some of them are described below.

The need to contain cost. Health care funders - whether private sector or government - in most developed countries are finding it increasingly difficult to cope with rapidly escalating costs. Until recently, all services were purchased from national providers of health care services. In the United States of America, however, the need to contain costs has created an apparent willingness amongst private sector health-care funders to consider the possibility of contracting with cross border suppliers. Negotiations to this effect are reportedly taking place between a United States funder and a Canadian provider¹. Should this be a

¹ UNCTAD, International trade in health services: difficulties and opportunities for developing countries. In this volume.

sustainable trend, developing countries which are able to offer comparable services at lower cost would be especially well positioned to provide services to developed countries in such areas such as:

- rehabilitation services
- cosmetic surgery and elective (non-emergency) surgery
- specialized dental care
- provision of equipment and supplies
- provision of pharmaceutical products.

Developing countries are also realizing increasingly that outsourcing to other developing countries, especially for specialist, high-technology, diagnostic and rehabilitation services, may be a more cost-effective approach than attempting to develop national self sufficiency². This holds particularly true with regard to capital intensive services such as:

- specialized care
- diagnostic services
- high technology services
- rehabilitation services
- management services.

Another case in which cost containment trends already favour developing countries is pharmaceutical research and development, where lower salaries, lower risk of litigation and specific epidemiological profiles are already attracting research funding from developed countries.

The need to increase access to health care. There are a growing number of people in developing countries with disposable income who are willing to purchase high-quality health care. The lack of national facilities or expertise - whether real or perceived - to cater for these consumer needs creates opportunities for health-care providers from advanced developing countries either to establish services in such countries or to provide services across borders.

Increased mobility of health-care consumers. More people are willing to travel in search of health-care services that are not available in their own countries. Historically such services were sought in developed countries. Developing countries could, however, tailor-make services for this category of patient, which would optimize their strategic advantage due to:

- their ability to provide services at lower costs
- their ability to provide unique services due to local expertise
- their potential to combine health and tourism
- the availability of natural resources with perceived curative powers
- the increasing popularity of non-Westernized medicine.

² G. Wolvaardt, C. Hugo-Hamman, Health sector co-operation in Southern Africa - priorities for actions. *South Africa Med J*, 1997, pp. 87; 587-590.

A good example of response to this trend is a Cuban company, specifically created to promote health tourism, which attracted more than 5000 patients from developed countries to the country during 1996.

Increased mobility of health-care professionals. This well-established trend appears to be increasing and has been one of the few areas where developing countries have benefited actively from globalization in that developing countries, with a relative surplus of skilled health-care providers, have been encouraging the export of such professionals as a source of hard currency earnings.

Increasing consumerism. There is an increasing demand from patients in developed countries for services which are often not provided in their own countries or are priced out of reach. Such services include:

- non-Western types of medicine
- cosmetic services not covered by medical insurance
- treatments not available due to stricter or lengthy regulatory control measures.

The information revolution. Cross-border trade through utilization of information technology is increasingly becoming a reality. Developing countries, due to lower production costs, can compete actively in the provision of telemedicine and health information services.

An ageing population. Health-care demands escalate with age and there is an increasing elderly population which is looking for a wide range of cost-effective services. The disposable income of the three million retired people in OECD countries is estimated to range between US\$12 000 and US\$20 000 per annum, with an additional US\$5 000 per annum available in health-care benefits. Developing countries are increasingly becoming attractive retirement destinations due to the greater purchasing power of hard currencies in such countries. For elderly people living on a fixed income this is a major advantage. If health insurance benefits were to be portable, this advantage would be further enhanced.

**POTENTIAL AREAS WHERE PRESENT GLOBAL TRENDS FAVOUR
TRADE INITIATIVES BY DEVELOPING COUNTRIES**

Movement of personnel	Commercial presence
Consultants Skilled health professionals	Health management services Hospital and clinics Pharmaceutical research and development

Movement of customers	Cross-border trade
Medical and dental services Non emergency care Elective and chronic care Cosmetic Rehabilitation Educational services	Support services Laboratory Radiology Management services Infrastructure development Hospitals and clinics Educational services and services supplied via Internet Equipment and supplies

Challenges faced by developing countries in the various modalities of service delivery

Despite these opportunities, developing countries face considerable challenges in developing this lucrative market. These originate from both internal and external sources. Some of the difficulties encountered and possible solutions are described below.

Movement of personnel. With the exception of a few developing countries which have deliberately trained a surplus of health professionals, most developing countries' governments oppose the movement of health professionals as experience has shown that it inevitably leads to a loss of scarce human resources. Suggested mechanisms to prevent a brain drain include contracts that limit time out of the country, rotational systems that allow job sharing, competitive salaries at home and agreements with host countries that place time limits on work permits.

From the suppliers' viewpoint, standardization of curricula would go a long way to overcoming the problems experienced by health professionals when attempting to register with a national authority, often in the form of a professional council, which is a prerequisite to practising their profession.

Cross-border movement of consumers. Measures to help avoid adverse effects could include:

- ensuring comparative quality of care through international quality assurance programmes such as hospital accreditation schemes
- finding ways, possibly through joint public and/or private sector initiatives, of ensuring that services customized for international patients do not affect equity in the host country by promoting a two-tier system
- pricing services at a level where actual costs are recovered, in order to prevent cross-subsidization by taxpayers
- in the case of educational services, finding ways of ensuring that foreign students return to their country of origin after completing studies through contracts and restrictions on work permits

- developing international marketing mechanisms to promote developing country services
- overcoming prejudice and lack of awareness among potential consumers from developed countries through aggressive marketing, rigorous quality control, and alliances with acknowledged centres of excellence in developed countries
- ensuring that visa requirements will not bar consumer access, e.g. restrictions on entry of HIV positive persons
- entering into preferred-provider contracts with health-care funders in developed countries to overcome the problem nonportability of health insurance.

Commercial presence in other countries. Developing country governments fear that an emerging private sector would create a two-tier system of “haves” and “have-nots”, siphon off skilled-public sector workers and undermine efforts to establish national health insurance schemes. In addition, legislative restrictions often exist on foreign acquisition and ownership of health-care facilities.

Cross-border trade. In recent years international agreements have eliminated most barriers to cross border trade. However, developing countries still face major organizational challenges if they are to utilize the opportunities that have been created. Predominant amongst these are:

- lack of information on international health-sector trade opportunities or obstacles
- lack of government-supported health-sector specific export strategies
- absence of national trade promotion organizations that focus on health services
- limited cooperation between business and government resulting, in numerous missed opportunities for trade promotion associated with, for example, official foreign visits by health ministers.

Dangers of globalization

Opportunities and challenges

Despite the potential advantages that globalization holds for developing countries, there are also a number of inherent dangers for national health systems in developing countries. These include :

- a brain drain of skilled professionals from the country
- an outflow of financial resources accompanying the cross-border movement of patients
- the creation of a two-tier system with higher quality being afforded to foreign patients
- the potential of importing highly infectious diseases such as Ebola fever.

Clearly these and other negative consequences of globalization have to be addressed by all nations and strategies need to be developed to counter any detrimental effects on national health systems. It is of particular importance that developing countries specifically address these issues as they often generate fears among health politicians and bureaucrats. Such fears can lead to active opposition, thereby limiting the ability of the country to benefit from opportunities that arise.

The way forward

A common denominator amongst both developed and developing countries which are actively exploiting the opportunities that trade liberalization presents to the health service sector (such as Australia, Canada, Cuba, Jordan, India, Sweden and the United Kingdom) is the existence of a national structure to coordinate and promote participation in the global market by the health sector.

Such a national structure is deemed essential for the following reasons:

- to bring together all national health sector providers with a view to developing common strategies and raising awareness of international developments in the health service sector
- to act as a knowledge broker for the local health services industry that can provide on an ongoing basis information on trade opportunities
- to identify barriers and obstacles that hinder market access and to develop strategies to overcome them
- to establish joint trade promotion strategies, marketing plans and export drives

- to develop public and/or private sector collaboration to promote market access through trade missions and applying leverage to existing political access
- to maintain a database of providers and products
- to develop common strategies to minimize any potential negative effects on the national health system.

Various models exist, ranging from totally private-sector initiatives to wholly government-owned organizations. The most common model is, however, a joint venture between the private and public sector resulting in cooperation in promoting and developing international trade in health services. This model would serve the interests of developing countries best, as it would not only optimize scarce resources through a public and/or private-sector mix but would also create a forum for addressing political and other concerns.

Certain international developments could also favour efforts by developing countries to penetrate the global market: predominant among these would be establishment of an international clearinghouse for information on United Nations system. Lack of information on opportunities, is in all likelihood, the single biggest obstacle that developing countries face.

Another major obstacle is the lack of international quality standards in the health services. Some work has been carried out in the International Standards Organization, but a great deal remains to be done to develop international standards in such areas as the training of health-care professionals and developing therapeutic guidelines.

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The potential impact of globalization on the health service sector is enormous. This wave of change offers substantial opportunities for developing countries, should they be able to overcome the not insignificant challenges that they face. Clearly this is an area of particular importance not only for the trade sector but also for the health sector. An urgent need exists for increased intersectoral debate at both national and international levels.

Opportunities and challenges
