HOW TO MAKE IT, HOW TO KEEP IT, HOW TO SPEND IT

MONEYWEEK

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sector of the week

Why tourists are holidaying in hospitals

by Jody Clarke

The global market for 'medical tourism' is growing by 30% a year

Next time you return from a holiday abroad, you could be coming back with more than an "I Love Bangkok" T-shirt. A new generation of tourists is more likely to return home with a facelift or hip replacement than a suitcase full of little Buddhas. Welcome to the newest brand of holidaying to hit your local travel agency: 'medical tourism'. That means travelling abroad to get medical treatment, and the global market for it is growing at 30% a year, dwarfing growth rates in the more traditional tourism sector. This has been boosted by the growth of cheap travel and improved confidence in standards abroad among patients from the West and Middle East.

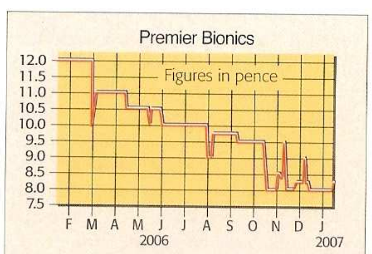
Many travellers hope to dodge long waiting lists for treatment at home, but more often than not, cost is the key attraction. Experts reckon that savings of 30%-80% can be made from travelling abroad for medical treatment, meaning that even with flight and accommodation costs, hefty savings can be made. For example, a £300 fee for extracting a wisdom tooth in the UK falls to £26 in Poland, says Dental Travel Poland (DTP). DTP is one of the many specialist travel agencies to appear in recent years, organising travel, accommodation and medical treatment for this new breed of traveller. Another specialist travel agency, Taj Medical Group, says a knee operation that would cost £10,000 in Britain can be had for closer to £4,900 in India.

Those kinds of savings are too good to pass up, and not just for British health tourists. There are 61 million Americans either under- or non-insured, while 220 million baby-boomers are reaching old age and thus facing a combination of lower incomes and higher medical costs. Indeed, 500,000 Americans are thought to have travelled abroad for treatment last year – and the corporate sector is also getting in on the act. Fortune 100 firms are reportedly mulling plans to cut costs by including foreign medical treatment on medical insurance for their employees. Blue Ridge Paper Products of North Carolina now offers 100% reimbursement plus travel costs to staff who travel abroad for treatment – soaring health costs (up 75% between 2000 and 2006) have hurt the firm's growth. With relatively few reports of botched jobs or inferior facilities, more and more people are heading abroad. Escorts Heart Institute and Research Centre in Delhi performs 15,000 heart operations every year and the death rate of 0.8% is less than half the rate at most major hospitals in the US.

So where are all the tourists going? Thailand is the main beneficiary so far, treating 600,000 non-nationals a year. But it has plenty of competition – governments across the region are aiming to lure more medical tourists to their shores. Singapore, for example, treats around 200,000 tourists a year, but wants to increase that to a million by 2012. In order to do so, the government is freeing up sites around the city-state so that new private hospitals can be built. It's not hard to see why they're keen – on average, a medical tourist spends around $360 a day in Singapore, compared to $144 for a normal tourist. Currently worth half a billion dollars in Malaysia, Thailand, Singapore and India, the Singapore government reckons the medical tourism industry will be worth an estimated US$4.4bn to Asia by 2012. The good news is that, as they grow richer, we can too. See below for stock tips.

Three of the fittest firms in the sector

Thailand is the most attractive destination for medical tourists at present. OnTarget's Martin Spring tips, among others, Thailand's biggest hospital group, **Bangkok Dusit Medical** and **Ramhamgkhaeng**, which owns the top hospital in Chiang Mai. Both are listed in Thailand – but Thai stocks can be hard for UK investors to buy into, and recent unrest may make the country less attractive to tourists generally.



A better option could be Singapore. **Parkway Holdings** (SP:PWAY) is one of Asia's largest healthcare groups, with facilities in Malaysia, China, India, Vietnam and Brunei. Third-quarter profits for 2006 rose 24% from a year earlier to S$18.5m, with much of this down to medical tourism – but it trades on a hefty forward p/e of 41. Another option is **Raffles Medical Group** (SP:RFMD), which owns a hospital and more than 60 clinics in Singapore, as well as six clinics in Hong Kong. After-tax profit in the third quarter of 2006 was 26.8% ahead of 2005 – the shares trade on a 2006 p/e of 25. And for the very brave, there's Aim-listed **Premier Bionics** (Aim:PBI), an Australian medical device and diagnostics researcher. A Premier subsidiary develops virtual reality training facilities for surgical and medical skills. They are rolling out 'skills centres' in China and Hong Kong, and broker RM Research says initial take-up of its products in Asia has been "extremely promising".