

Recommendations for the Development of Medical Tourism in Croatia

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Introduction

Over the past two decades, Croatia has placed significant emphasis on tourism development and is today recognized as one of the most attractive destinations in the Mediterranean. Although the strongest emphasis is placed on the development of tourism in the coastal area and on the islands in the form of the classic "sun and sea" based offer, the need for the development of distinct, specific forms of tourism has been recognized in recent years, such as rural tourism, sports tourism, gastronomic tourism, and others.

One of the most rapidly growing types of tourism in the world, which is still not sufficiently strategically recognized in Croatia, is health tourism. Health tourism is an aggregate term that includes travel primarily motivated by the use of medical services (of a higher or lower degree of complexity) - dental, surgical, rehabilitation, and so on. Health tourism is a specific type of year-round tourism because, unlike some other segments in tourism that are sold exclusively based on the destination, it works in such a way that the client buys a service from the providers of medical and health services, which in turn sells the destination. In Europe, health tourism is the most propulsive type of selective tourism, with 15% of all travel being motivated by issues concerning health - amounting to 203 million trips taken by Europeans each year. Travelers spend a total of 115 billion euros annually on these trips¹. In Croatia, tourism holds the largest share in GDP with 19% and is the most promising branch of economy. At the same time, health tourism as a type of tourism employs 10,000 people and annually generates only about EUR 300 million in revenues from health services, which makes for less than 3% of total revenues from tourism in Croatia.

Health tourism as an umbrella term encompasses three subtypes: medical, rehabilitation, and wellness tourism. According to the National Healthcare Strategy 2012-2020² *medical tourism* means travelling to other destinations for the purpose of receiving healthcare (for partial surgical procedures, dental, cosmetic, psychiatric, and alternative treatments, together with associated care and recovery services). The primary motivation for travel to receive medical treatments can be to receive premium health services at a lower cost and at a different destination, the inability to obtain such treatments in one's own country, or faster actualization of a procedure.

As a country with a high-quality workforce and excellence in providing healthcare services, Croatia has a strong foundation for the development of health tourism and its subtypes. This position paper provides suggestions for specific measures and activities that could significantly contribute to the development of medical tourism in Croatia.

¹ Malbaša, A., Dossier: Health tourism should become a Croatian priority, *Nacional*. Available at: <http://www.nacional.hr/dossier-zdravstveni-turizam-treba-postati-hrvatski-prioritet/>

² Official Gazette, *National Healthcare Strategy 2012-2020* (OG No. 116/2012), Zagreb: Narodne novine d.d.

Overview of the Situation in Croatia

Although there is definitely potential for the development of medical tourism in Croatia, there is still no specific and meaningful support in terms of strategic and financial backing on the part of the government or a comprehensive and inclusive approach to the development of medical tourism that would incorporate a wider context, that is, track targeted activities for the development of medical tourism. This includes, for example, the adjustment of the visa and tax regime and similar activities that can also contribute to the growth of the tourism sector in general and the development of medical tourism as a specific category.

Branding of Croatia as an attractive destination for medical tourism is the first step and should be the focus of the Ministry of Tourism and the Croatian National Tourist Board (CNTB). This process started in 2017. Ministry of Tourism, Ministry of Health, Croatian National Tourist Board, Zagreb Tourist Board and medical clusters (Zagreb and Kvarner) are working together on branding and positioning Croatia as a leading Mediterranean destination for medical tourists. In accordance with the above, the Croatian National Tourist Board recently presented, for example, a new health tourism website – - *Croatia - full of well-being* - which links private and public sector initiatives with potential foreign clients.

Although there is an existing strategy for the development of health, i.e. medical tourism in Croatia, it has not yet been fully realized³. In 2014, under the authority of the Ministry of Tourism, an Action Plan for the Development of Health Tourism of the Republic of Croatia was developed and adopted, as one of the measures for improving health tourism in the country. However, it has still not been concretely implemented. In addition, funds allocated by the government and the CNTB for the development of this type of tourism and for regular advertising, campaigns, and other marketing activities in 2017 amounted to HRK 2 million, while the plan for 2018 amounted to HRK 4 million.

While it is commendable that the need to allocate funds for these activities is recognized, given the fact that digital advertising is one of the most effective and successful, but unfortunately also by far the most expensive forms of advertising, a budget of HRK 4 million at the level of the entire country earmarked for advertising outside its borders is insufficient.

In addition, despite the significant funds made available to the state through European Structural and Investment Funds, until this day, there are no open or

³ Official Gazette, *Development Strategy for Croatian Tourism by 2020* (OG No. 55/2013), Zagreb: Narodne novine d.d.

foreseen tenders for grants from these Funds for private institutions in the healthcare sector. In addition, private healthcare institutions are not allowed to use the existing incentives of the Agency for Investments and Competitiveness. It is not clear why this is the case, given that, according to the capacities and rapid growth of the sector, there would certainly be considerable opportunities for use of capital from such funds.

It can be concluded that a number of stimulating measures for the development of medical tourism in Croatia are lacking, measures which can be seen in other countries that have recognized the importance of the development of this type of tourism.

Medical Tourism - Growth Potential

Croatia is increasingly positioning itself as a top destination for tourism in general, and it has the potential to establish itself, with adequate engagement and cooperation between the public and private sectors, as one of the leading Mediterranean destinations for medical tourists. Croatia, and especially the area of Istria and Kvarner, is now regionally known for its dental services - with about 100,000 Italian clients per year - but it needs to be positioned as an excellent medical destination for other areas such as plastic surgery, orthopedics, ophthalmology, dermatology, and oncology.

Health Tourism Development Framework

Certain preconditions for further development of medical tourism have already been created. The Healthcare Act has enabled provision of health services in tourism, in accordance with special regulations, to specialized hospitals, health resorts, healthcare workers, healthcare institutions, and companies that provide healthcare. Companies that provide healthcare must ensure that a healthcare service in tourism is provided by a healthcare professional of a relevant profession with a license for independent work and provide space with medical and technical equipment that meets the minimum requirements in terms of space, equipment, and workers for performing healthcare activities. There have already been positive breakthroughs and progress in the field of health and medical tourism in Croatia.

From January 1, 2018, there has been a change in the Act on the Provision of Tourism Services ⁴, which allows healthcare service providers - without additional administration or registration of companies - to provide a "packet" of services that, along with health services, includes travel services, accommodation, and additional activities, allowing them to offer a complete tourist product. It is estimated that these legislative changes will create conditions for investing EUR 350 million in health tourism projects, and these investments will create up to two thousand new jobs. With that, total investments in tourism in 2018 would amount to nearly EUR 1.3 billion.⁵

In addition, there are a number of excellent, professional, certified clinics in Croatia that have become centers of excellence and can be compared to the world's best clinics. These clinics have directed a significant portion of their efforts and investments precisely in the long-term vision of opening to foreign markets and establishing Croatia as a destination for medical tourism.

⁴ Official Gazette, *Act on the Provision of Tourism Services* (OG No. 130/2017), Zagreb: Narodne novine d.d.

⁵ T.R., Cappelli: In 2018, the total value of investments in tourism expected to reach EUR 1.3 billion, *novo j.d.o.o* Available at: <http://novo.hr/cappelli-2018-ukupna-vrijednost-ocekivanih-investicija-turizmu-13-milijarde-eura/>

Competitiveness of Croatian Health Institutions

The growth in demand for health tourism services is caused by the status and organization of healthcare systems in developed countries, long waiting lists, and excessive healthcare prices. When choosing a destination for medical tourism services, patients focus primarily on standards, safety, quality, and cost of healthcare services, medical staff expertise, the use of state-of-the-art technology, and the attractiveness of the destination.

Croatia can use all of this as an advantage and, based on its own price competitiveness and top quality private healthcare facilities, position itself as an attractive destination for medical tourism.

Contribution of the Croatian Diaspora

What also benefits Croatia is the fact that a large number of Croatians living abroad are still emotionally attached to their homeland and that they still opt for Croatia as their destination for vacation and complex healthcare procedures. Here also lies the potential for developing cooperation between the homeland and its diaspora and the opportunity to stimulate and attract investment from the diaspora.

Non-seasonal Character of Medical Tourism

Medical tourism is the fastest growing type of selective tourism in the world. One of the characteristics of medical tourism that makes it particularly attractive is its inherently non-seasonal character. Given that the primary characteristic of medical tourism is the demand for price-competitive healthcare services, combined with tourist stays, medical tourism is a good basis for extending the tourist season to a greater number of months of the year, as an addition to classical tourism based solely on the attractiveness of the destination.

Retention and Development of the Workforce in Healthcare

Further targeted investments in the development of medical tourism would also increase the demand for labor in this sector and would enable the recruitment of a large number of highly qualified healthcare workers. It can be concluded from the above that the active promotion of the development of this type of tourism would also affect the current trend of emigration of the workforce, with an emphasis on young and highly educated people, and help to retain quality workforce in Croatia.

Increasing Consumption in Tourism

It is very important to note that medical tourism, i.e. income generated within this sector, does not only affect the health sector but is also closely related to the total income generated from tourism in Croatia. Namely, a tourist who is a beneficiary of medical tourism services spends several times more on average than a classic tourist

because he/she initially comes for a healthcare service and ultimately takes on the role of a classic tourist. This leads directly to an increase in the number of overnight stays and the number of visitors, daily spending, income from tourism, the increase in the quality of overall service, and other factors, which consequently have an impact on GDP growth.

Good Practices of Other Countries

Turkey

For a number of years, Turkey has been actively building a reputation as an attractive destination for health tourism. For example, Turkey is the country with the highest number of JCI (the most famous accreditation service provider in the world for the quality of healthcare services and patient safety) accredited institutions in Europe (48), and is also implementing active measures to strengthen health tourism, such as state co-financing of marketing costs for this form of tourism and co-financing of airplane tickets (in cooperation with Turkish Airlines). The number of health tourists in Turkey reached 746,000 in 2015 with a revenue of USD 5.6 billion. In the first eleven months of 2017, according to data from the Turkish Healthcare Travel Council (THTC), 751,000 foreign patients came to Turkey for treatment. According to the Turkish Healthcare Travel Council, the target for 2018 is 800,000 health tourists who will generate USD 7.5 billion in revenue.

In order to further strengthen Turkey's position on the international health tourism market, the Ministry of the Economy has prepared a Strategy for the Export of Health Services and an Action Plan draft and signed a Protocol with the Ministry of Health and the Ministry of Culture and Tourism on the Development and Promotion of Health Tourism. The strategy is aimed at strengthening the quality of services and competitiveness in the field of medical and thermal tourism, as well as tourism for the elderly and the disabled. Along with some more general goals, such as an increase in the number of medical institutions, departments, and doctors with international accreditation, the strategy also calls for some innovative measures to strengthen health tourism. For example, the strategy includes the introduction of "health visas" for international patients and their relatives, and the issuance of a special residence permit for patients and relatives whose illness requires long-term treatment. It is also envisaged that targeted promotional activities - including branding, marketing materials (slogans, photographs) - will be coordinated by the Turkish Healthcare Travel Council.

Poland

According to the data of the Polish Association for Medical Tourism, around 400,000 people visit Poland for the purposes of medical tourism on an annual basis. Poland is also one of the examples of good practice in planning and directing the European Union's Structural and Investment Funds to foster the development and growth of the health tourism sector. Within the three-year economic strategy for the 2012-2015 period, medical tourism was selected as one of fifteen priority areas of the Polish economy, with both national subsidies and European Union funds provided for its development. The program for the promotion of medical tourism is an initiative of

the Ministry of Economy and was funded with EU funds as part of the project "Promoting the Polish Economy in International Markets".

As part of this project, the promotion of the health tourism sector included presentations and participation in international conferences, advertising, the creation of promotional materials (video materials, brochures, catalogs, websites), workshops, and marketing training for healthcare providers. Incorporated into the program is also the understanding of the need to promote Poland as a healthcare destination, seeing as such promotion is crucial in order to attract patients from abroad. According to the Polish Tourism Organization data, PLN 4.9 million (EUR 1,163,000) was allocated for the implementation of the three-year program for the promotion of health tourism and classical tourism in the period from 2016 to 2019.

Hungary

The strategic development of health tourism in Hungary includes investment in research (marketing, health, and human resources), product development, infrastructure, marketing, education, and regulatory affairs. This was recognized on time by the Hungarian government, which provided funds to stimulate the development of health tourism: 35 projects were carried out in the period between 2007 and 2013 for the development of health tourism in Hungary, with a total of EUR 60 million from the European Union funds.

Hungary's reputation as a quality destination for health tourism in the international market is based on reputation, highly qualified and professional medical staff, quality control, accreditation as an additional quality assurance, insurance, innovation, and impeccable service. Another important component of success is price competitiveness: dental treatments are up to 40-70% cheaper, and cosmetic surgery more than 50% cheaper in Hungary compared to prices in Western Europe and the US.

Recommendations for the Development of Medical Tourism

Based on the above, AmCham proposes the following steps for the further strengthening of medical tourism in Croatia:

Increasing the CNTB budget for the advertising of health tourism services and fostering co-operation between the government and the private sector

The budget of the Croatian National Tourist Board should be increased in the upcoming period, with a special emphasis on promotion through digital media. It would be advisable to direct 70% of the total budget for advertising on promotion through digital marketing and 30% on remaining marketing activities in Croatia. The following are examples of possible use of the funding allocated for marketing:

- Websites or special landing pages with a focus on health tourism;
- Websites for targeted markets such as the Croatian diaspora;
- Social media with targeted ads or promotions linking to the landing page for health tourism;
- AdWords search ads that direct people looking for health tourism options to the landing page;
- Targeted investment in the direct promotion of medical tourism in Croatia through elements such as leaflets at airports, promotional banners in tourist centers, marinas, motorways, and so on.

We also emphasize the potential and the need for actively developing cooperation between the government and the private sector in order to realize set goals. This may include, for example, the use of joint advertising practices for the promotion of medical tourism, as well as state co-financed marketing.

Part of the funds could be directed towards joint participation of the state and the private sector in presenting Croatia as the top destination for medical tourism at international fairs, congresses, and conferences.

Strengthening Other Forms of Support for the Development of Medical Tourism

With more direct investment in marketing and promotion, active support for the development of medical tourism could also be ensured through some additional measures.

For example, one of the possible steps is promoting a partnership between private providers of health tourism services and Croatia Airlines, as an aviation company

that is mostly state-owned, to provide cheaper flights to tourists who come to the country as purchasers of medical tourism services.

In addition, providing special visas to people who would come to Croatia as users of medical tourism services, and in line with the practice of other countries such as Turkey, could also be beneficial for the development of medical tourism.

Strategic Planning of Future Calls for the European Structural and Investment Funds Grants in the Upcoming Budgetary Period

Calls funded by the European Structural and Investment Funds should be planned in such a way as to include opportunities for targeted financing in the private medical tourism sector.

Direct investment in infrastructure and business space planning, new medical technologies, equipment and training of employees, and a number of other business segments could be facilitated through tenders for private healthcare institutions. Alternatively, funds could be made available through tenders that are non-specific for private healthcare.

Benefits for the state would be obvious in this case, but more active involvement of the Ministry of Health, the Ministry of the Economy, Entrepreneurship and Crafts and the Ministry of Regional Development is needed in order to plan and implement such tenders in the next financial period.

Enabling the Use of the Existing Incentives for Private Sector Actors in the Field of Health Tourism

National Healthcare Strategy 2012-2020 and Action Plan for the Development of Health Tourism of the Republic of Croatia recognize health tourism as a specific type of year-round tourism. Amendments to the Act on Investment Promotion from March 2018⁶ enabled the use of incentives administered by the Agency for Investments and Competitiveness for health tourism. More precisely, in accordance with the said amendments, Article 12 of the Act recognizes health tourism as one of the "high-value-added services" for which incentives may be granted. In addition, the definition of health tourism was formally entered into the legal text by the amendments to the Healthcare Act⁷.

Despite the aforementioned in practice it is difficult for legal entities in the health tourism business to use these incentives. Namely, the Act on Investment Promotion proscribes that incentive users may be enterprises, but it is the experience of our members that the bodies responsible do not interpret this in a way to include

⁶ Official Gazette, *Act on Investment Incentive* (OG No. 25/2018), Zagreb: Narodne novine d.d.

⁷ Official Gazette, *Healthcare Act* (OG No. 100/2018), Zagreb: Narodne novine d.d.

institutions. At the same time, many subjects involved in the provision of health tourism services register as institutions for various reasons, among them also those conditioned by the existing legal framework.

With that in mind, it is worth considering the interpretation to the existing Act on Investment Promotion so that private sector actors in the field of health tourism registered as institutions may also use the incentives of the Agency for Investments and Competitiveness. Doing so would at the same time make it possible to fulfill the purpose of inclusion of health tourism on the list of activities for which the use of state incentives was enabled.

Encouraging the Accreditation of Croatian Healthcare Institutions/Providers

Encouraging the accreditation of Croatian healthcare institutions to ensure the establishment of a minimum acceptable healthcare quality standard is an important step in increasing the safety and level of customer satisfaction. Accreditation as an external quality assessment of healthcare institutions is one of the priorities set by the Ministry of Health of the Republic of Croatia in the National Healthcare Strategy 2012-2020, published in September 2012. Quality management in the healthcare system of the Republic of Croatia is regulated by the relevant legal framework, and is mainly done through the work of the Agency for Quality and Accreditation in Healthcare and Social Welfare.

The benefits of applying a quality system in healthcare are multiple, from achieving better communication, having an unambiguously defined mode of action and responsibility, better maintenance of equipment, to maintaining proper documentation, self-assessment of the system, and creating the obligation of continuous monitoring of results and actions in order to continuously improve. This process focuses on continuous improvement of the quality of healthcare and patient safety and has a long-term positive impact on planning and implementation of plans, risk management system, implementation of standards, and quality indicators.

Conclusion

Medical tourism has the potential to contribute to actively solving the problem of seasonality of Croatian tourism and to become one of the major generators of investment and growth within the tourist offer of the Republic of Croatia.

Adopting the AmCham recommendations would enable faster and more structured development of medical tourism. Most certainly, this would consequently have an impact on the retention of highly qualified medical practitioners in Croatia. The increase in the number of active purchasers of medical tourism services would lead to an increase in consumption and investment, which consequently would contribute to GDP growth.

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