

February 2020

Increasing Health Tourism Spending in the United States

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Recommended Citation

Ridderstaat, Jorge and Singh, Dipendra (2020) "Increasing Health Tourism Spending in the United States," *Rosen Research Review*: Vol. 1 : Iss. 2 , Article 9.

Available at: <https://stars.library.ucf.edu/rosen-research-review/vol1/iss2/9>

INCREASING HEALTH TOURISM SPENDING IN THE UNITED STATES



The U.S. offers a high standard of healthcare making it attractive to health tourists.



Until this study, there has been a lack of clarity on the country of origin of inbound medical tourists.



One of the U.S.'s key attractions for health tourists is short waiting times.

An increasing number of people are taking advantage of health tourism to access medical services abroad. For the U.S. to be competitive in the lucrative health tourism environment, it is essential to target the right markets. Until now the information available to do this has been limited. This knowledge gap is being addressed by Dr. Jorge Ridderstaat and Dr. Dipendra Singh from Rosen College of Hospitality Management and colleagues. These researchers have developed a microeconomic elasticity approach that offers an understanding of the effects of individual tourism markets on the total health tourism spending in the U.S.

Singh from Rosen College of Hospitality Management. Their research provides alternative strategies to understand these connections. The research team has developed a microeconomic elasticity approach that offers an understanding of the effects of individual tourism markets on the total health tourism spending in the U.S.

BRIDGING THIS KNOWLEDGE GAP IS ESSENTIAL TO NURTURE AND GROW THIS NICHE MARKET IN THESE NATIONS.

in developed countries. The research team believes that bridging this particular knowledge gap "is essential to nurture and grow this niche market in these nations."

such as cause and effect, as well as measuring the strength of the relationships between dependent and independent variables.

a volume effect (the overall demand for the specific market), and a price effect (the average spending per person per market). Employing microeconomics, they have formulated a modified version of total and marginal revenue analysis. This enables them to explore how a variety of visitors from twenty countries of origin affect health tourism spending in the U.S. Their investigation examines the effects on total health tourism spending as well as both its volume and price components, from long-term (trend) and short-term (cycle) perspectives.

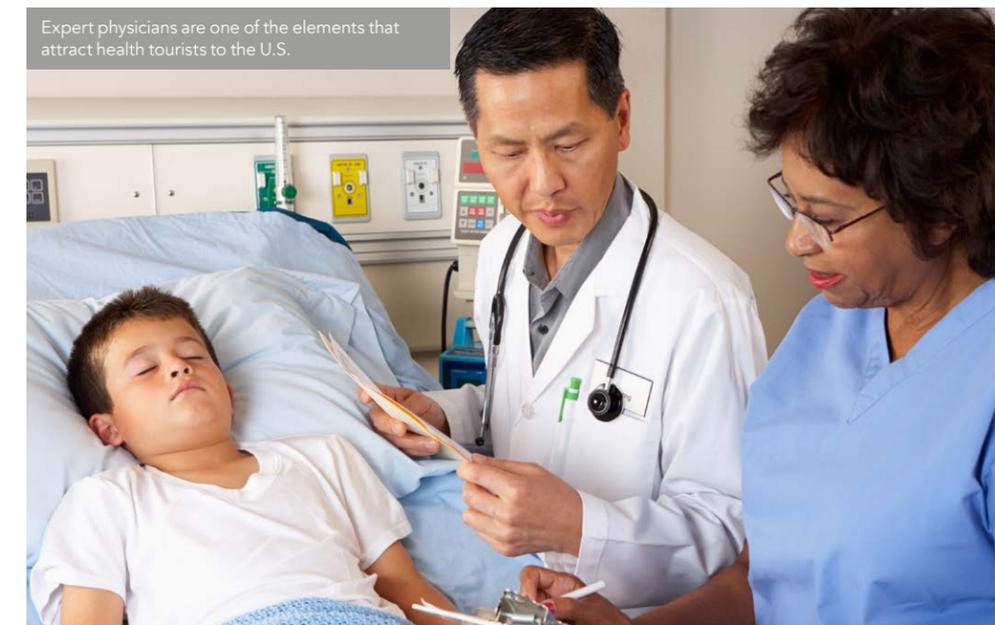
MODELING TOTAL HEALTH TOURISM SPENDING

The research team is modeling total health tourism spending as a combination of

Most studies of health tourism have used descriptive research, describing only the basic features of the data under consideration. The few inferential studies that have been carried out underpin the research team's belief that "inferential research-based coverage of health tourism is still in the early developing stage but has potential to further unravel this branch of activity within tourism."

INFERENCE RESEARCH

The inferential research approach involves making inferences from the sample data to more general conditions and reaching conclusions that go beyond the sample under examination to infer how the population might behave. Employing inferential statistics provides a mathematical foundation that enables the researcher to analyze phenomena



Expert physicians are one of the elements that attract health tourists to the U.S.

Travel that focuses on the use of healthcare services, medical treatments, or improving health or fitness outside of the country you live in has been dubbed 'health tourism.' An increasing number of people are taking advantage of health tourism to access medical services abroad. This tourism trend attracts patients searching for quality, available, accessible and affordable healthcare. Total health tourism spending each year is estimated to be between \$608 and \$635 billion worldwide.

HEALTH TOURISM IN THE U.S.

Many Americans travel abroad for medical treatments, and much research has been carried out examining the movement of tourists from developed to developing countries. There is an increasing trend, however, for international

tourists to access medical services in the U.S. The quality of physicians, together with state-of-the-art medical technology and short waiting times make the U.S. an attractive destination for those health tourists who can afford its superior medical treatment and service.

A GAP IN UNDERSTANDING

To be competitive in the lucrative health tourism environment, it is essential to target the right markets. To do this, you need to understand which countries' health tourists are the driving force behind health tourism spending. Unfortunately, there is limited information available from which to implement market segmentation, the splitting up of a market of potential customers into different groups, or segments, so that a business can target its products to the relevant customers. Enter Dr. Jorge Ridderstaat and Dr. Dipendra

While reviewing the literature, the researchers found conflicting information regarding the countries of origin of those people traveling to benefit from medical services in the U.S. While one source suggested that most inbound medical tourists to the U.S. are from the Middle East, South America and Canada, another said that the majority of inbound health tourists are from the Caribbean, Europe, and Central America. Yet another stated that they were predominantly from Latin America, the Middle East, Europe, and Asia. This confusion revealed a lack of clarity in determining the tourism markets in terms of these regional classifications and hinders the implementation of market segmentation. Some authors suggested that employing market segmentation could lead to an understanding of each tourist market. This knowledge would allow prediction of market behavior and enable health tourism opportunities to be exploited, particularly



State-of-the-art technology is a particular draw for health tourism to the U.S.

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Better understanding where health tourists travel from can help the industry to grow.

ONLINE DATA

The researchers were able to collect secondary data from online sources. This had the added advantage that the information is available free of charge to the public. They collected data on health tourism spending from the International Monetary Fund and compiled visitors' statistics using both the U.S. Department of Commerce International Trade Administration National Travel & Tourism Office and the U.S. Bureau of Census. This information was available on an annual basis and covered the period from 1986 to 2016. The research team then cleaned and standardized the data to facilitate comparisons.

ELASTICITY EFFECTS

The group employed a microeconomics elasticity approach to establish an understanding of both the long-term and short-term dynamics of the twenty individual tourist markets on total health tourism spending in the U.S. Elasticity gauges the responsiveness of demand in a market by measuring a particular variable's sensitivity to a change in another variable, for example measuring the shift in consumer demand resulting from a change in a particular service's price.

The researchers calculated the marginal revenue associated with health tourism for



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each country of origin, i.e., how much the total health tourism spending would change with one tourist from that particular country of origin, together with the volume and price components. They were then able to compute the elasticity associated with these marginal revenues in terms of the elasticity of the total number of visitors (i.e., quantity) and the

tourism spending. The latter can inform both managerial and policy-making perspectives, bringing two implications to the fore.

Firstly, it is possible to apply market segmentation to health tourism. Based on their analysis of volume and price, the researchers found the top 10 potential markets

INFERENCE RESEARCH-BASED COVERAGE OF HEALTH TOURISM ... HAS POTENTIAL TO FURTHER UNRAVEL THIS BRANCH OF ACTIVITY WITHIN TOURISM.

elasticity of average health-related spending per visitor (i.e., price).

VOLUME AND PRICE EFFECTS

The results show that long-term elasticity increases in total health tourism spending are more likely to be influenced by volume rather than price. In contrast, the short-term volume and price effects tend to offset each other. This analysis reveals that many of the leading tourism demand markets for the U.S. could increase the overall long-term health tourism spending, especially as the increased volume effects outweigh any decreases in average visitor spending.

IMPLICATIONS

This research demonstrates that several of the leading tourism markets have a positive long-term effect on the growth of overall health

to concentrate on for further development of health tourism in the U.S.: Israel, Australia, Spain, the United Kingdom, The Netherlands, France, Italy, China, Sweden, and Switzerland.

Secondly, the growth of health tourism spending is likely to be a gradual process, given that the elasticity effects were mainly found to be long-term. Furthermore, there are challenges such as language barriers and cultural differences that are faced by both the international patients and their caregivers in the U.S. These will all take time to address.

The research team highlights that the development of health tourism is underpinned by the volume and price-related factors. Understanding and directing their influences is necessary to achieve a competitive edge in health tourism.

RESEARCHERS IN FOCUS

RESEARCH OBJECTIVES

The team's research interests include international tourism management and destination marketing and management, with a particular focus on sustainable tourism and destination resilience in Florida.

REFERENCES

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PERSONAL RESPONSE

What advice would you give to policymakers tasked with the development of health tourism?

Policy-makers should further look at the characteristics of tourists, particularly those that purposely come to the U.S. for health issues. This can be done through regular surveys of tourists visiting the U.S. This approach can provide further details on, for instance, the spending of tourists for health-related purposes, the type of services that they use, and the regions from where they get their service. The additional information will assist policymakers in preparing appropriate policies to develop health tourism further.

What are your plans for future research in this area?

The authors will continue to study relationships in health tourism in developed countries. This means expanding the analysis by considering other countries and their elasticity effects on health tourism spending. Future studies will also consider other analysis techniques, including country-specific surveys, to further understand the characteristics of the specific tourism market(s) on health tourism spending, and what type of treatment the tourists are seeking abroad.

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Dr. Jorge Ridderstaat is an Assistant Professor at the University of Central Florida. His research agenda focuses primarily on the dynamics in tourism and hospitality, where he specializes in data decomposition and analysis using econometric techniques. He is the author of two books and many academic publications.

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