



Trade and Health in FTAs: Focus Health Services

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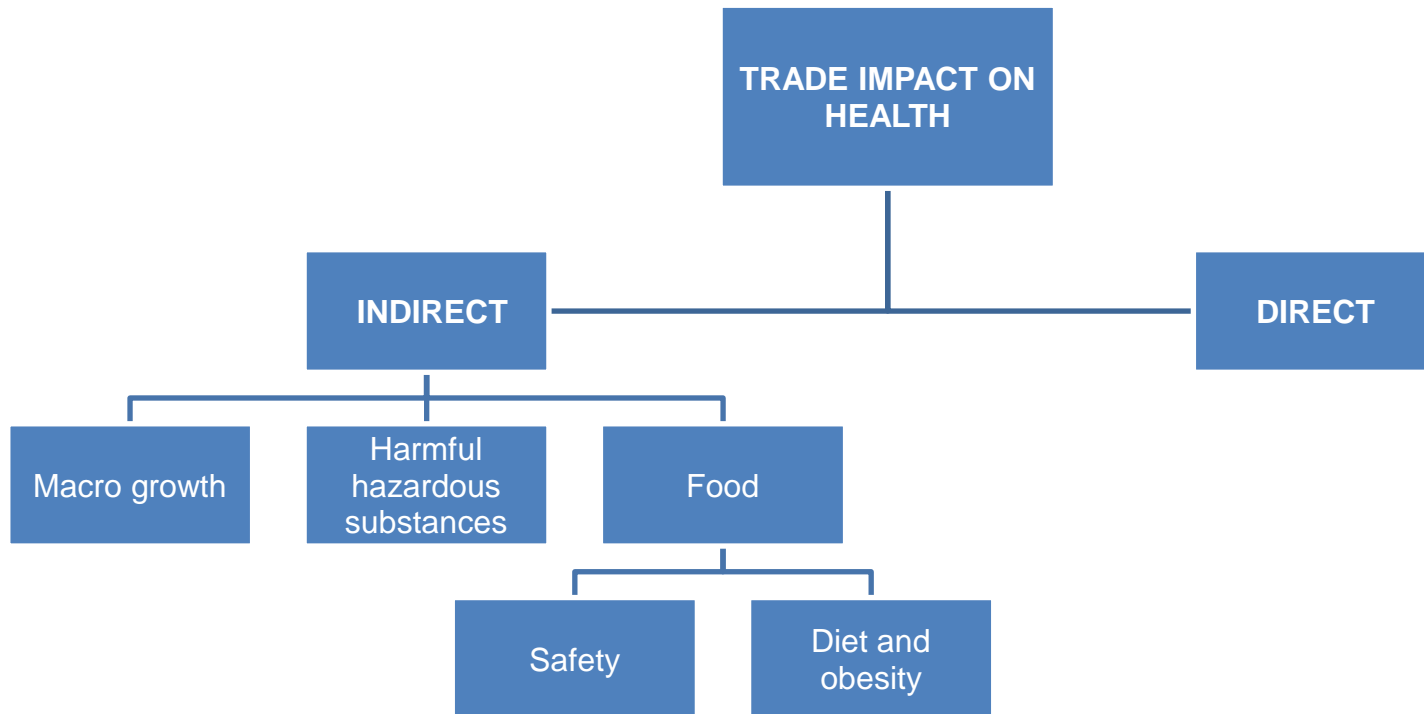
World Health Organization

Outline

1. Trade and Health Linkages
2. Trade in Health Services
3. Policies to Make Trade Work for Health
4. Conclusion

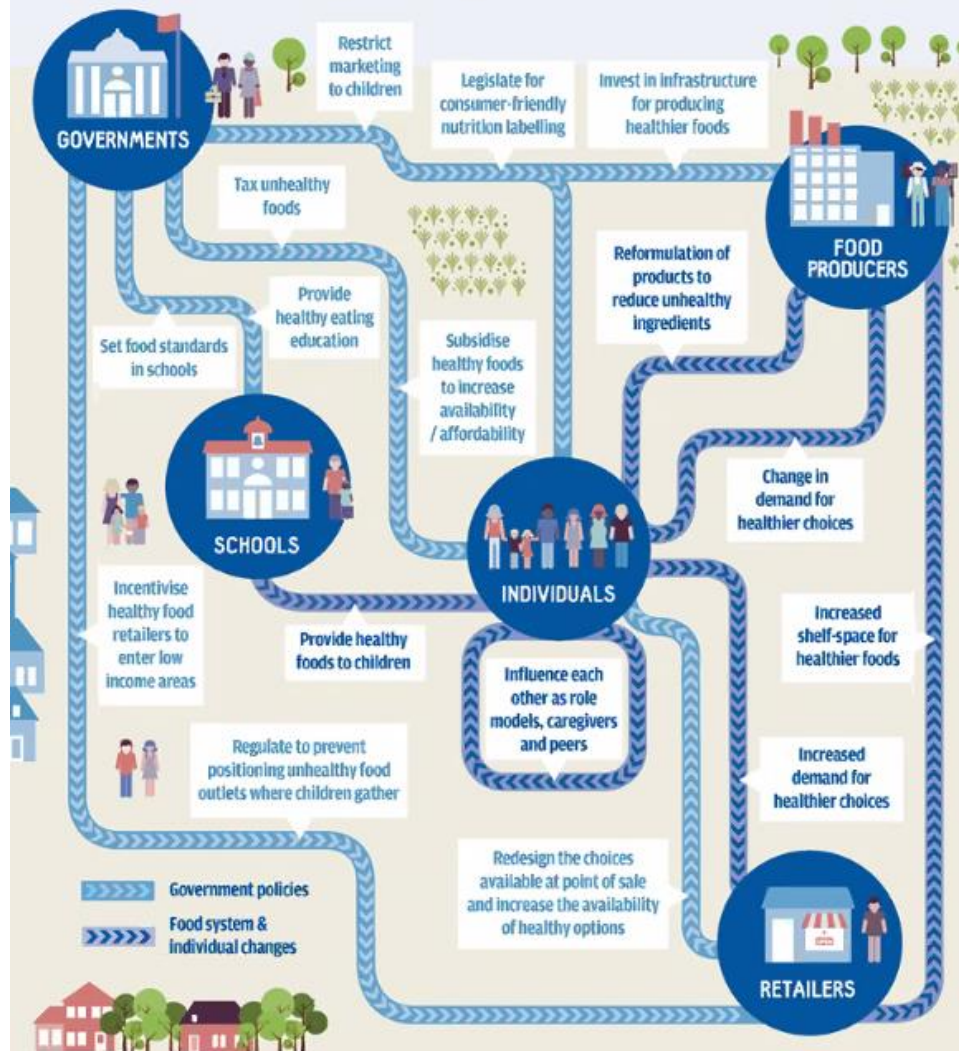
1. Trade and Health Linkages

Trade and Health Linkages



HOW CAN GOVERNMENTS SUPPORT HEALTHY FOOD PREFERENCES?

The food system is an interconnected network of producers, industry, and institutions. But at its heart is the individual. Policy can affect all parts of the network, influencing a cultural shift towards healthier food preferences.

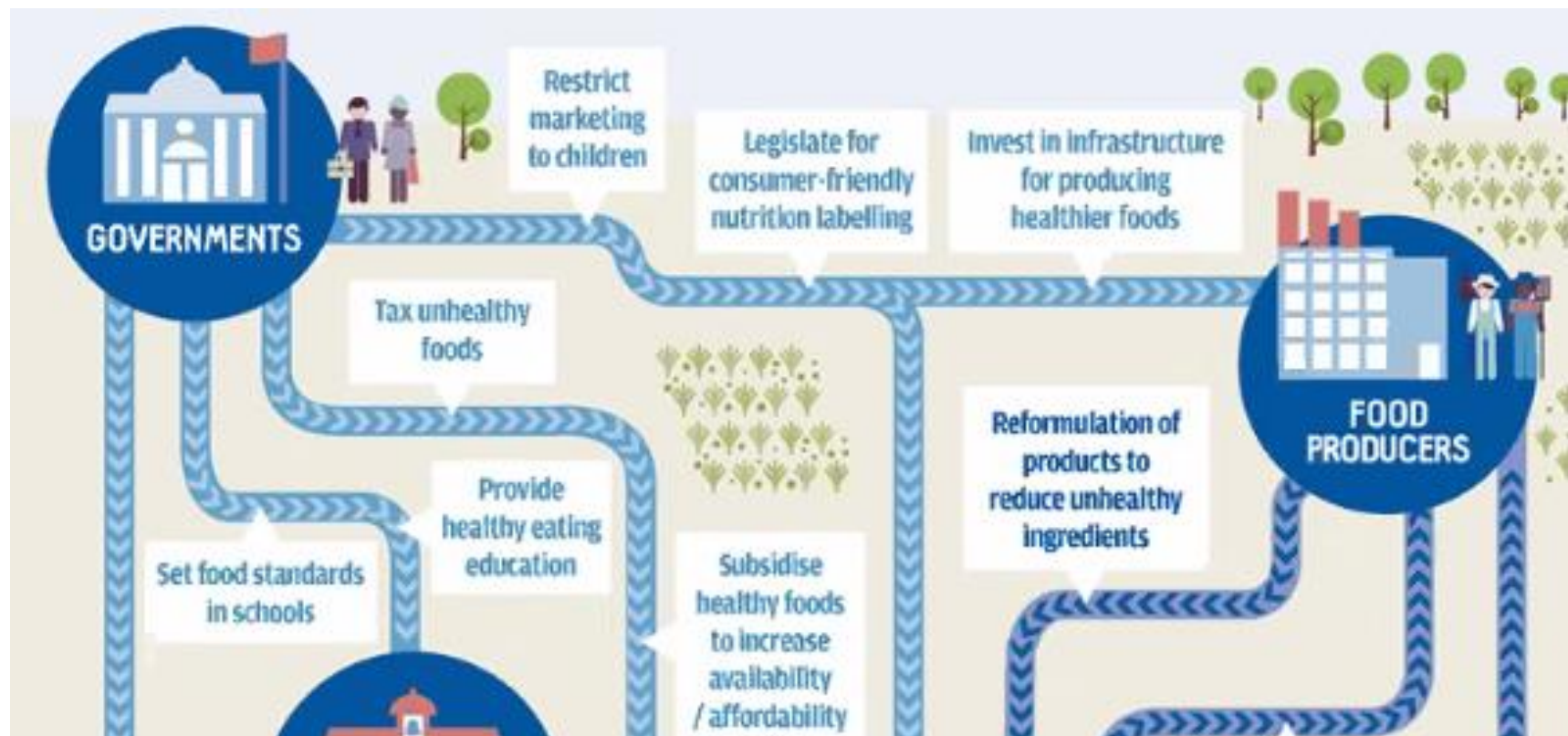


For further information on the obesity series or to read the full report, visit www.thelancet.com/series/obesity2015

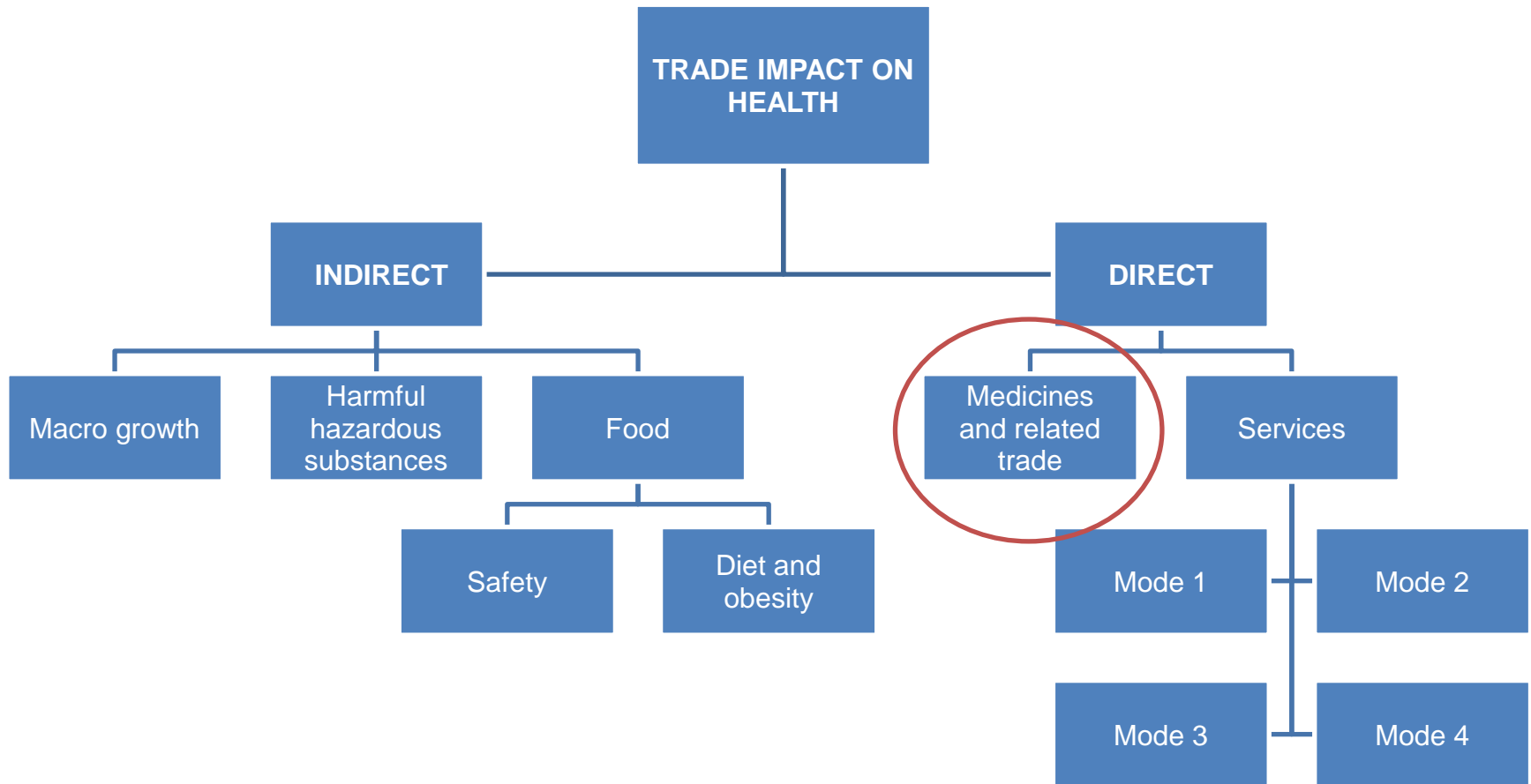
Source: Hawkes C, Smith TG, Jewell L, et al. Smart food policies for obesity prevention. *Lancet* (2015), published online Feb 15. [http://dx.doi.org/10.1016/S0140-6736\(15\)00215-1](http://dx.doi.org/10.1016/S0140-6736(15)00215-1)

THE LANCET

Trade and Obesity



Trade and Health Linkages



Trade in Medical Goods

Chart 1: Imports of medical goods, by product category (2019)

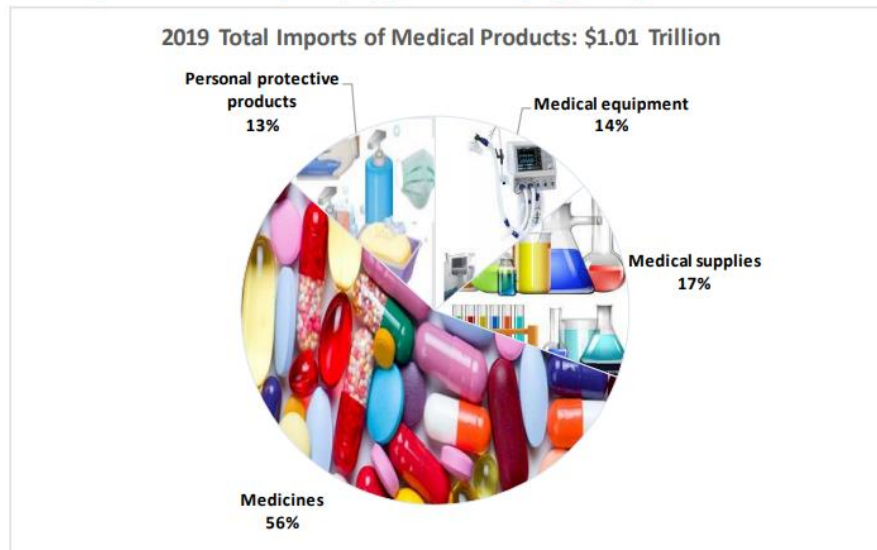
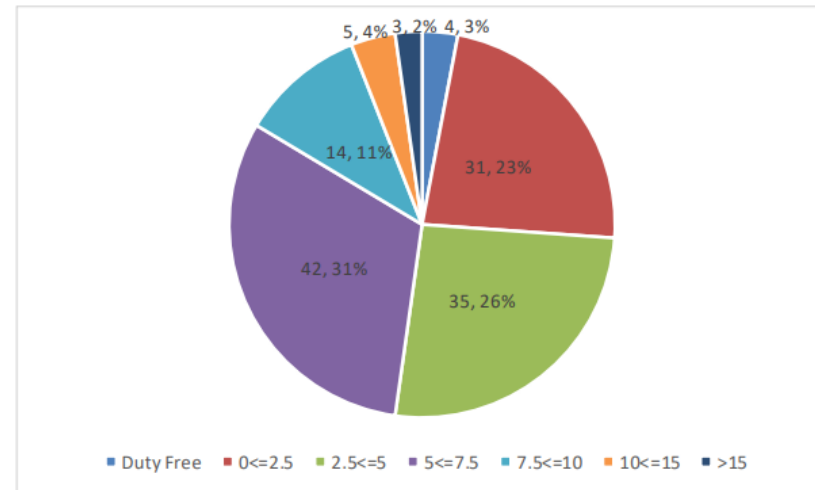
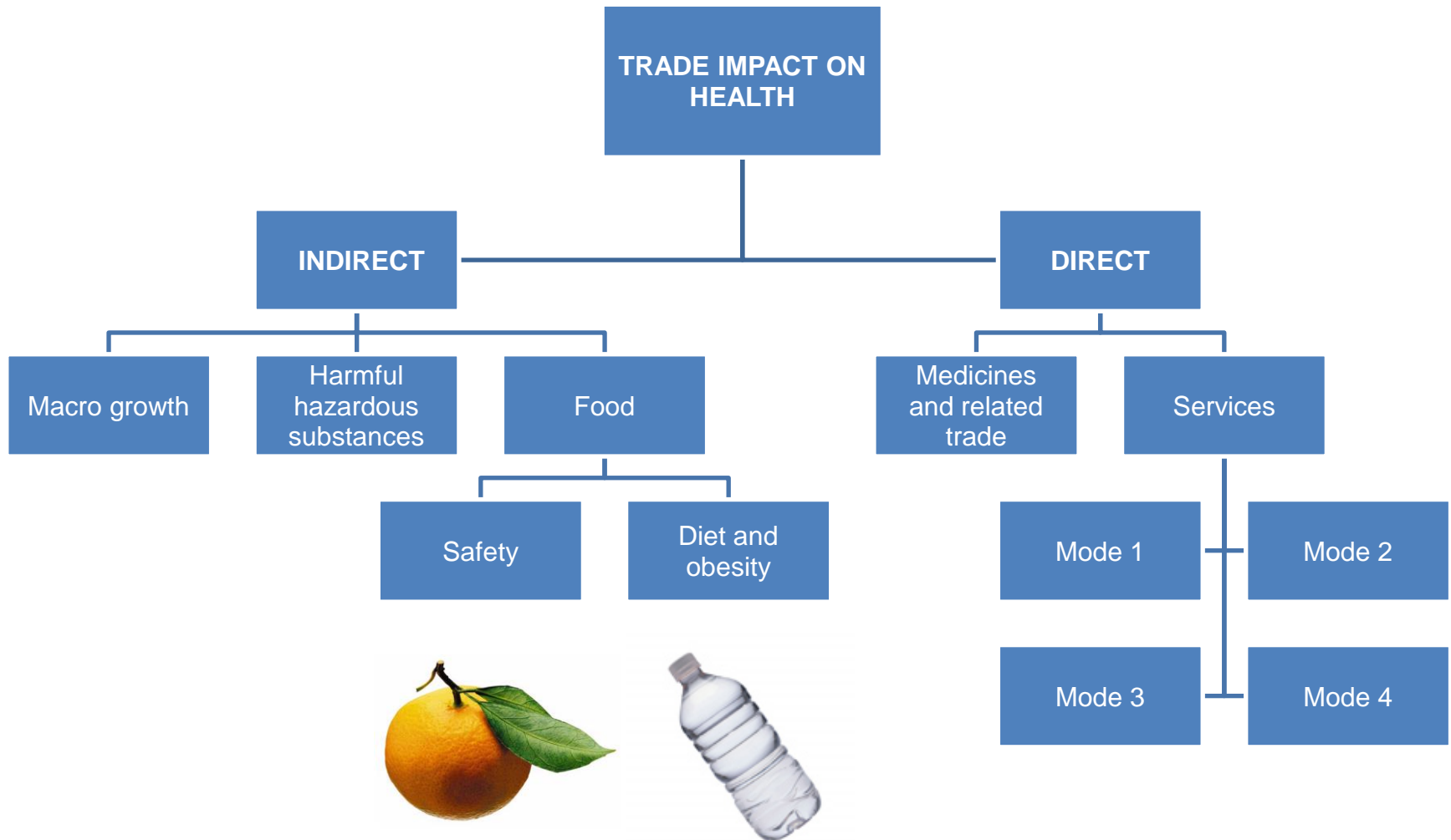


Chart 3: Number of Members per range of average MFN applied tariffs (number, percentage)



Source: WTO (2020) available [online](#)

Trade and Health Linkages



2. Trade in Health Services

Mode 1: Cross-Border Delivery

- Telehealth or telemedicine
- Exchange of medical data or provision of medical services remotely using IT technologies.

Main drivers:

- **Unavailability or undersupply** of medical services in some countries (e.g. telepathology services by India's doctors to hospital in Nepal and Bangladesh)
- Benefit from **lower costs** of health services abroad (e.g. second opinion by Indian radiologists to US colleagues, medical transcriptions for the US undertaken in the Philippines)

Challenges for the provision:

- Patient **data protection**
- Modern **IT infrastructure**
- **Availability** of health personnel
- **Qualification** of health personnel

Mode 2: Consumption Abroad

- Movement of patients across borders for diagnostics, treatment and rehabilitation services (medical travel).
- Occurs among developed, developing, and between developed and developing countries.

Main Drivers:

- **Unavailable or undersupply** of health services
- **Differences in quality** of health services
- **Cost** considerations

Challenges for the provision:

- **Portability** of health insurance
- **Follow-up services**
- **Patient safety**
- **Cross-border liability**
- **Availability of health care workers**



Mode 3: Commercial Presence

- Health care centers (hospitals, diagnostic centers, nursing homes, etc.) are established abroad by private companies and provide services.
- Growing trend of regional health-care networks, ex. Singapore-based Parkway group is present in Malaysia, Indonesia, Sri Lanka and India.

Main Drivers:

- Increasing **demand** for health services unmatched by government supply
- **Business opportunity**
- Facilitated by more **open FDI regimes**

Challenges:

- Availability of related **infrastructure**
- **Access to necessary equipment** and supply
- Access to services provided

Mode 4: Movement of Natural Persons

- Temporary movement of health personnel (doctors, nurses, paramedics, midwives, trainers, etc.)
- Mode 4 trade is NOT permanent migration.
- Both developed and developing countries are engaged.

Main drivers:

- High demand for health care workers, as almost all countries suffer from **lack of health care workers**
- Earning opportunities

Challenges:

- Mutual recognition of qualification
- Visa requirements



How are the modes of supply interrelated?

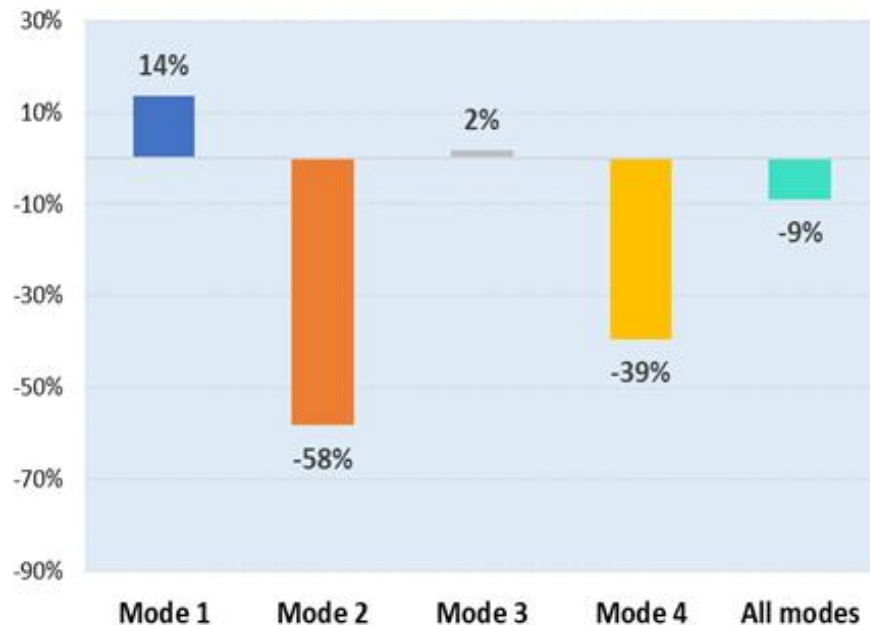
Example: Singapore Medical Center in Phnom Penh, Cambodia



- Opened in September 2019 after \$8 million investment from Singapore **(Mode 3)**.
- **Partners** with hospitals in Singapore **(Mode 1)**.
- **Targets** patients from Cambodia, expats, as well as medical travelers **(Mode 2)**.
- **Employs** 6 medical professionals from Singapore, the US and Thailand **(Mode 4)** as well as about 30 Cambodian staff.
- Founded “on the belief that ***everyone*** deserves reliable and quality medical care.”

Impact of COVID-19 on Health Services Trade

Figure: Change in health services trade 2019-2020



Source: WTO estimates (forthcoming)

- **Travel restrictions led to sharp fall** in arrival of medical travelers and health care workers.
- Ex. Bumrungrad International Hospital in Bangkok reported a 94% year-on-year drop in revenue in the second quarter of 2020.
- Extensive **testing and vaccine passes** needed to restore confidence

3. Policies to Make Trade Work for Health

Health Implications of Consumption of Health Services Abroad (Mode 2)

Opportunities

For exporting countries:

- Generates **foreign exchange** earnings to increase resources for health
- Helps to **upgrade health infrastructure, knowledge, standards and quality**

For importing countries:

- **Reduces shortages** of physical and human resources in speciality areas
- Patients receive **more affordable** treatment

Risks

For exporting country:

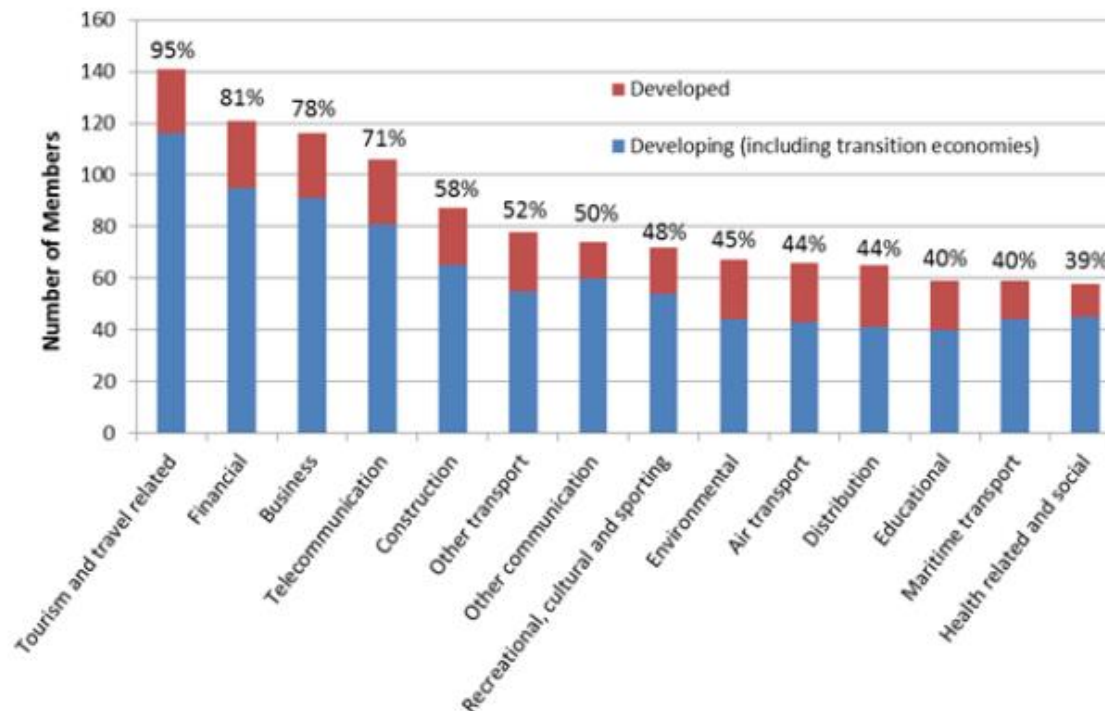
- Creates a dual (two-tiered) market structure
- **Crowds out local population** - unless services available to local population
- **Diverts resources** from the public health system

For importing country:

- Costs of medical travel gone wrong

General Agreement on Trade in Services (GATS)

- GATS provides **multilateral framework** for liberalizing international trade in services.
- **Services of many kinds** play role in promotion of health.
- **Improving access and affordability** of health-related services as goal of liberalization of trade in health-related services.



Opportunities and Risks of Trade Opening

- Does the country wish to have or expand **private-sector involvement** in the provision of health services?
- Will increased trade liberalization lead to **better health outcomes**?

Opportunities:

- **Increase in efficiency** through increased competition
- Help to **alleviate shortages in supply**
- **Increase amount and type of services** available to patients

Risks:

- **Private sector** attracts health care workers
- Exacerbates **rural-urban divide**
- Increase in **prices**

Mitigating Risks

What can be done to **limit the possible risks** of trade?

- GATS does not impose any constraints on terms and conditions under which a potential host country treats foreign patients (extra charge for treatment).
- Government can take measure to discourage health care workers to work from private sector.
- Government can require private hospitals to reserve minimum percentage of **beds for free** treatment.

However: Developing countries might not have **regulatory experience**.

Possibility to **experiment with liberalization** outside of GATS before making GATS commitments.

Managing the GATS Process from a Health Policy Perspective:

- GATS provides countries with **choices** to make liberalization commitments that are in their best interests.
- Sophisticated **understanding necessary** of how trade in health-related services affects health systems and policy (informed decisions).
- **Health principles and criteria** should drive policy decisions on trade in health-related services in the GATS negotiations.

Health Services in ASEAN

*10th Package of Commitments under ASEAN Framework Agreement on Services
(protocol to implement the 10th AFAS package was signed last 29 August 2018)*

Sector: Health Related Services

Mode 1: Cross-border supply

Mode 2: Consumption abroad

Mode 3: Commercial presence

Mode 4: Presence of natural persons

Health related services	Brunei	Cambd.	Indon.	Lao PDR	Malay.	Myan.	Philipp.	Singap.	Thail.	Viet N.	Sum of full
Mode 1	Full	Full	Full	Full	Full	Full	Partial	Partial	Full	Full	8
Mode 2	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full	10
Mode 3	Full	Full	Partial	Full	Partial	Partial	Full	Full	Partial	Partial	5
Mode 4	None	None	Partial	Partial	Partial	Partial	Partial	None	Partial	None	0
Sum of full	3	3	2	3	2	2	2	2	2	2	

Source: <https://i-tip.wto.org/services/default.aspx>

Full: No limitations on market access

Partial: Member: (i) remains free to introduce / maintain measures inconsistent with market access or (ii) have partial limitations to market access in some subsectors

None: No commitments

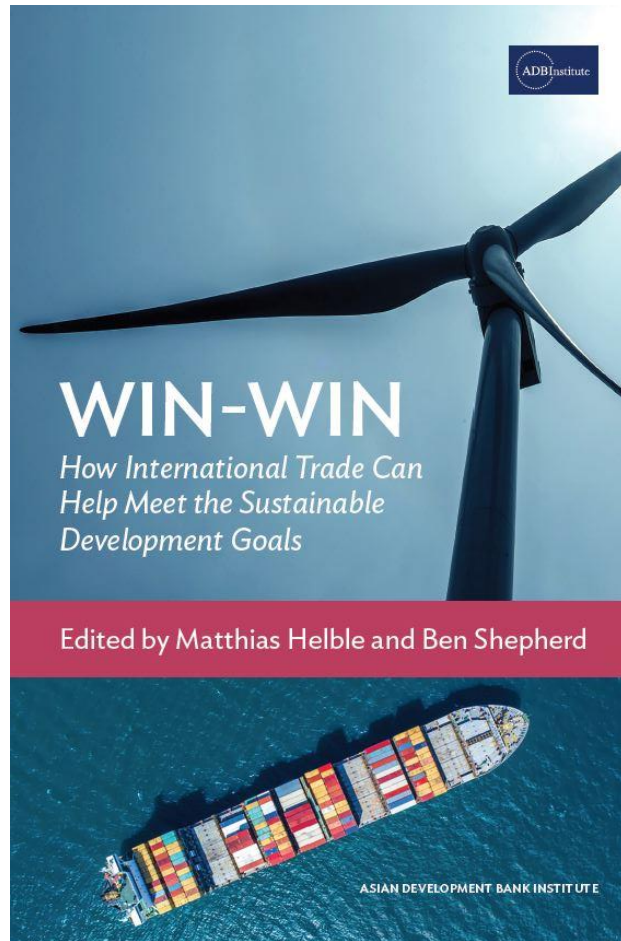
4. Recommendations and Conclusion

WHO Recommendations

- Identify a **focal point** for trade in health-related services within the Ministry of Health.
- Collect and evaluate relevant **data** on the effect of existing trade in health-related services within the country.
- Subject all requests for, and offers of, liberalization of trade in health-related services to a **thorough assessment of their health policy implications**.
- Develop a sustainable mechanism for **monitoring the impact** of trade in health-related services.

Conclusion

- Opening of trade in health services offers **opportunities** and comes with **risks**.
- Proactive and **informed approach** is needed to facilitate gains and limit negative effects.
- **More data** is urgently needed.
- **Supply side** constraints in health sector need to be tackled to export health services successfully.
- Trade policy in health services needs to be **coordinated with other services sectors**, such as tourism, insurance, education and telecommunication services.
- Still **room for more regional cooperation**.



**Thank you for
your attention!**

Download for free:

<https://www.adb.org/publications/win-win-how-international-trade-can-help-meet-sdgs>

Appendix

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Questions to answer:

- Do the commitments fit the strategies and directions identified by **national health policy**?
- **What effect** would the commitments have on government-provided health-related services?
- What **regulatory burdens** do liberalization create for the government in health-related sectors?
- Can the commitments be crafted both to protect health policy and to liberalize trade progressively?

Mode Specific Questions

- **What is being traded (imports and exports)?**
- **What are the offensive/defensive interests?**
- **What are the health implications of trade policy?**
- **What are the trade implications of current health policies?**
- **What is the existing regulatory framework?**
- **What are the key flanking policies under consideration?**

Policy Coherency?

What level of coherence is there is trade and health policy?

98.1. Describe briefly how services trade policy is formulated in your country. What structures, if any, exist to conduct inter-agency coordination, promote a whole of government approach and conduct a policy dialogue with external stakeholders?

98.2. Does a process exist specifically for shaping policy and negotiating positions on trade in health services? Who does the government consult in taking decisions in this area? Is this process institutionalized or *ad hoc* in character?

98.3. How does your government identify and assess its offensive and defensive interests in services trade generally and trade and investment in health-related services in particular? Describe how your country deals with negotiating requests formulated by your trading partners in the health services sector. Describe the process through which your country addresses its own negotiating requests to key trading partners.

98.4. Is there a trade and health unit or function in the Ministry of Health? Is there an inter-agency coordination process to promote regular two-way dialogue between the trade and health policy communities at the national level?

Capacity Gaps?

Core Question 99
What is the current level of capacity and key gaps?
99.1. Is there an analytical deficit domestically in policy research on services trade and investment for which remedial technical assistance, capacity and institutional strengthening building are required?
99.2. Are the government's services trade policy objectives generally underpinned by policy research? Is such research conducted in-house (i.e within government agencies); by in country research institutions or through recourse to international expertise?
99.3. What is the negotiating capacity of trade and health officials?
99.4. For each of the four modes of supplying services, indicate whether data on trade in health services is available for your country, nationally and/or internationally? What are the identified gaps/limitations in your country's data for each mode of supplying health-related services?
99.5. What is the comparability of data available at the national and international levels and with other countries?
99.6. What are the concerned national (governmental or otherwise) and international <i>agencies</i> that collect such data? In which national and international <i>publications</i> does this data appear? What are the identified problems with the organizational structures and mechanisms for data collection and dissemination for each mode of supplying health-related services in your country?

Mode 2: Consumption Abroad

Cost of medical procedures (in US\$)

Medical Procedures	Philippines	Singapore	USA
Heart bypass surgery:	11,500 - 17,500	11,797 - 18,378+	70,000 - 133,000
Liver Transplant	120,000 - 150,000	290,000 - 300,000+	490,000 - 575,000
Hip replacement:	5,000 - 7,600	6,285 - 9,446	33,000 - 57,000
Knee replacement surgery:	5,200 - 7,700	8,637 - 12,569	30,000 - 53,000
Prostate surgery (TURP procedure)	1,500 - 2,700	5,000 - 7,500+	10,000 - 16,000
Kidney Transplant	23,000 - 25,000	75,000 - 95,000	200,000 - 250,000
Dental Implant	500 - 600	2,900 - 3,350	3,500 - 5,500

Source: <https://www.pacificprime.sg/medical-tourism/>
<https://www.health-tourism.com/philippines-medical-tourism/>
<https://medigence.com/hospitals/>