

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: CS/CS/SB 1150

INTRODUCER: Health Policy Committee; Commerce and Tourism Committee; and Senator Bean

SUBJECT: Medical Tourism

DATE: April 9, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Askey</u>	<u>Hrdlicka</u>	<u>CM</u>	<u>Fav/CS</u>
2.	<u>Looke</u>	<u>Stovall</u>	<u>HP</u>	<u>Fav/CS</u>
3.	<u>Pingree</u>	<u>Kynoch</u>	<u>AP</u>	<u>Pre-meeting</u>

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/CS/SB 1150 directs Enterprise Florida, Inc., (EFI) and the Florida Tourism Industry Marketing Corporation (Visit Florida) to promote medical tourism and market the state as a healthcare destination.

Visit Florida is required to include the promotion of medical tourism in the 4-year marketing plan and showcase Florida providers. The bill also requires Visit Florida to create a matching grant program for local and regional economic development organizations to create targeted medical tourism marketing initiatives.

The bill requires Visit Florida to annually allocate at least \$3.5 million of the funds appropriated by the Legislature to Visit Florida to develop, implement, and maintain the medical tourism marketing plan. The bill also requires Visit Florida to annually allocate at least \$1.5 million of appropriated funds for the medical tourism matching grant program.

The bill requires the Office of Program Policy Analysis and Government Accountability (OPPAGA) and the Office of Economic and Demographic Research (EDR) to include the medical tourism programs when analyzing Visit Florida and its programs as part of their Economic Development Programs Evaluation that must be presented to the Governor and the Legislature by January 1, 2015, and every three years thereafter.

II. Present Situation:

Medical Tourism

Medical tourism is a term used to describe the act of traveling to receive medical treatment. Traditionally, the term referred to travel across international boundaries. Recently, consumer travel across state lines, referred to as domestic medical tourism, has become more common. Medical tourism can include both sophisticated treatments, such as cardiac surgery and orthopedics, as well as elective or routine procedures for dental care or cosmetic surgeries. The industry has “medical tourism facilitators” that market medical tourism “models” to consumers. These facilitators could be compared to travel agents.

Medical tourism occurs for a variety of reasons including the globalization of healthcare services and increases in geriatric populations in the United States and Europe. Consumer preference in medical care will depend on factors that a consumer normally applies when purchasing a good or service. These factors can include cost, income, substitutions, or complimentary goods. Due to the size and scope of the healthcare industry, there is no one “trend” in medical tourism.

A recent report by the National Institute for Health Research found that outward medical tourism¹ had increased in the United Kingdom while inward medical tourism² remained reasonably steady.³ The results from this report also highlighted several other factors that made general “trends” in medical tourism difficult to define. The report found that:

- Economic implications of medical tourism are not uniform;
- The medical tourism industry is almost entirely unregulated and there are potential risks to the consumer;
- Existing information is variable and there is no authoritative source of information;
- Medical tourists are a heterogeneous group of all ages and a range of socio-demographic groups;
- Tourists lack information and appear to make uninformed decisions without considering all associated risks;
- Tourists seem to make use of informal treatment-based or cultural networks to make their decisions;
- Patients are travelling to further or “new” markets in medical tourism; and
- Cost is never a sole motivator and often not the primary motivation for seeking treatment abroad.⁴

Additionally, the report concluded that more research was needed to:

- Better understand the health and social outcomes of treatment for those who travel for medical treatment;
- Generate more robust data that better capture the size and flows of medical tourism;

¹ Traveling from the UK to another country.

² Traveling from another country to the UK.

³National Institute for Health Research, *Implications for the NHS of inward and outward medical tourism; a policy and economic analysis using literature review and mixed-methods approaches* (February 2014), p. 28, available at: <http://www.journalslibrary.nihr.ac.uk/hsdr/volume-2/issue-2> (Last visited Mar. 20, 2014).

⁴ *Id.* at pp. 115-119

- Gather more information on patients including their origins, procedures, and outcomes;
- Develop better economic costing; and,
- Explore the issues of clinical relationships and networks.⁵

Medical tourism can have political obstacles as well. While inward medical tourism is seen as an opportunity for economic growth, outward medical tourism has been criticized as an admission of domestic healthcare policy failure.⁶

Medical tourism is often presented as a way to lower costs for medical treatment. Cost savings is an incentive for some employers to adopt domestic medical tourism practices within the United States. Changes to healthcare law in the United States have highlighted medical treatment cost disparities. In May 2013, National Public Radio (NPR) reported on data released by the Federal Department of Health and Human Services on hospital charges for treatment of Medicare patients.⁷ NPR reported that there were large differences in the costs of the 100 most common treatments that require hospitalization. Differences occurred across states and hospitals miles from each other. The differences in cost ranged in multiples of 5 to 40. Similar reports produced supporting examples including a joint replacement procedure that cost \$297,000 at Centinela Hospital and \$84,000 at St. John's Health Center, two California hospitals about 12 miles apart.⁸ The reports suggest similar levels of disparity in costs to private insurers and uninsured patients.

Healthcare in Florida

Florida is the fourth largest state in terms of population with an estimated 19.5 million people. According to a report by the Wall Street Journal, Florida paid an average of \$7,156 per person on healthcare in 2009.⁹ The largest portions of that amount was spent on hospital care (\$2,207) and physician/clinical services (\$1,950). The U.S. average for the same time period was \$6,815 per person. In Florida there are currently licensed: 301 hospitals,¹⁰ 1,987 health care clinics,¹¹ 45,939 medical doctors, 10,445 dentists, 203,648 registered nurses, 20,850 pharmacists, and various other licensed practitioners totaling 863,270.¹²

⁵ *Id.* at pp. 119 and 120

⁶The Economist, *Médecine avec frontières: Why health care has failed to globalize* (February 15, 2014), available at: <http://www.economist.com/news/international/21596563-why-health-care-has-failed-globalise-m-decine-avec-fronti-res> (Last visited Mar. 20, 2014).

⁷ NPR, *Government Data Reveals Wild Disparity in Health Care Costs* (May 8, 2013), available at: <http://www.npr.org/templates/story/story.php?storyId=182337915> (Last visited March 20, 2014).

⁸ Christian Science Monitor, *New report reveals stunning disparities in health-care costs* (May 8, 2013), available at: <http://www.csmonitor.com/Business/2013/0508/New-report-reveals-stunning-disparities-in-health-care-costs> (Last visited Mar. 20, 2014).

⁹The Wall Street Journal, *Health-Care Costs: A State-by-State Comparison* (April 8, 2013), available at: <http://online.wsj.com/news/articles/SB10001424127887323884304578328173966380066> (Last visited Mar. 20, 2014).

¹⁰Florida Agency for Health Care Administration, available at: <http://www.floridahealthfinder.gov/facilitylocator/ListFacilities.aspx> (Last visited Mar. 20, 2014).

¹¹ *Id.*

¹² Florida Dept. of Health, Division of Medical Quality Assurance, *Annual Report and Long Range Plan: FY 2012-2013*, (Dec. 31, 2013).

Tourism in Florida

Enterprise Florida, Inc. (EFI) is a public-private partnership between Florida's business and government leaders and is the principal economic development organization for the State of Florida. Visit Florida is the state's official tourism marketing corporation, and has been a direct-support organization of EFI since 2011. EFI contracts with Visit Florida to promote Florida as a tourist destination and EFI's Division of Tourism Marketing supports Visit Florida in its activities. Visit Florida is required to adopt a four-year tourism marketing plan.¹³ The plan is annually reviewed and approved by EFI's board of directors.

According to Visit Florida, the tourism industry in Florida was responsible for attracting 91.5 million tourists in 2012 who spent more than \$71.8 billion, generated 23 percent of the state's sales tax revenue and employed more than one million Floridians.¹⁴ The Fiscal Year 2013-2014 General Appropriations Act appropriated over \$63 million of state funds to Visit Florida.¹⁵ Visit Florida raises matching funds from the private sector, and in 2012 raised more than \$108.6 million.¹⁶

The Economic Development Programs Evaluation

Chapters 2013-39 and 2013-42, L.O.F., require the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to provide a detailed analysis of state economic development programs according to a recurring schedule established in law.¹⁷ Programs added to s. 288.0001(2)(b), F.S., must be evaluated by January 1, 2015, and then every three years thereafter.

In this review, EDR will evaluate and determine the economic benefits of each program over the previous three years. For the purposes of EDR's analysis, the calculation of economic benefits is the same as the state's return on investment. The analysis will also identify the number of jobs created, the increase or decrease in personal income, and the impact on state gross domestic product from the direct, indirect, and induced effects of the state's investment in each program over the previous three years.¹⁸

The OPPAGA will evaluate each program over the previous three years for effectiveness and value to the state's taxpayers and include recommendations for consideration by the Legislature. The analysis may include relevant economic development reports or analyses prepared by the Department of Economic Opportunity, Enterprise Florida, Inc., or local or regional economic development organizations; interviews with parties involved; or any other relevant data.¹⁹

¹³ Section 288.923(4), F.S., sets forth the plan requirements.

¹⁴ Visit Florida, available at <http://www.visitflorida.com/en-us/about-visit-florida.html> (Last visited Mar. 20, 2014).

¹⁵ Fiscal Year 2013-14 General Appropriations Act, Line Item 2228, ch. 2013-40, L.O.F.

¹⁶ Visit Florida, available at <http://www.visitflorida.com/en-us/about-visit-florida.html> (Last visited Mar. 25, 2014).

¹⁷ Florida Economic Development Program Evaluations – Year 1, available at <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1401rpt.pdf>, (last visited Mar. 25, 2014).

¹⁸ *Id.*

¹⁹ *Id.*

III. Effect of Proposed Changes:

Section 1 amends s. 288.0001(2)(b), F.S., to require the OPPAGA and the EDR to add the medical tourism marketing and matching grant programs to the Economic Development Programs Evaluation that will be presented to the Governor and the Legislature by January 1, 2015, and every three years thereafter.

Section 2 amends s. 288.901(2), F.S., to direct EFI to market the state as a health care destination by using the medical tourism initiatives described in s. 288.924, F.S., to promote quality health care services in Florida.

Section 3 amends s. 288.923(4)(c), F.S., to include the promotion of medical tourism as a part of Visit Florida's four-year tourism marketing plan.

Section 4 creates s. 288.924, F.S., establishing requirements for the medical tourism marketing plan and creating a matching grant program to support local medical tourism marketing.

The bill requires Visit Florida to include specific initiatives to advance Florida as a healthcare destination within the four-year marketing plan. The marketing plan must:

- Promote national and international awareness of the qualifications, scope of services, and specialized healthcare expertise of providers in Florida;
- Promote national and international awareness of medical conferences, training, and other business opportunities to attract medical practitioners to the state; and
- Include an initiative that showcases select qualified providers offering bundled healthcare packages and support services.

The showcased providers must be selected through a solicitation of proposals from licensed providers for plans. The plans must describe available services, provider qualifications, logistic arrangements, and other services and amenities that may be provided to patients and their families. A single health care provider may submit a proposal describing the available health care services that will be offered through a network of multiple providers and explaining any support services or other amenities associated with the health care provided.

Visit Florida must assess the qualifications and credentials of providers submitting proposals. To the extent funding is available, all qualified providers must be selected to be showcased.

To qualify as a showcased provider in the medical tourism marketing initiative, a provider must:

- Ensure that all participating providers in a proposal have full, active, and unencumbered Florida licenses;
- Have a current accreditation that is not conditional or provisional from a nationally recognized accrediting body;
- Be recognized as a Cancer Center of Excellence²⁰ or have a current national or international recognition in a specialty area; and
- Meet other criteria established by Visit Florida in collaboration with the Florida Agency for Health Care Administration and the Department of Health.

²⁰ Section 381.925, F.S.

Visit Florida is also required to create a matching grant program to provide funding to local or regional economic development organizations for targeted medical tourism marketing initiatives. The initiatives must promote Florida as a destination for healthcare services. Providers involved in the local initiative must meet the criteria specified for showcased qualified providers. The local or regional economic development organization must show an ability to involve a variety of businesses to collaboratively welcome and support patients and their families who travel to Florida for medical services. Cash or in-kind services available from the local or regional economic development board must be at least equal to the amount of state financial support provided.

The bill requires Visit Florida to annually allocate at least \$3.5 million of the funds appropriated by the Legislature in the General Appropriations Act to Visit Florida to develop, implement, and maintain the medical tourism marketing plan. The bill also requires Visit Florida to annually allocate at least \$1.5 million of appropriated funds for the medical tourism matching grant program.

Section 5 provides an effective date of July 1, 2014.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

CS/CS/SB 1150 will have an indeterminate positive fiscal impact on health care providers and other affiliated businesses that are showcased as part of the medical tourism marketing programs created in the bill.

C. Government Sector Impact:

The Legislature appropriated \$63.5 million to Visit Florida in the Fiscal Year 2013-2014 General Appropriations Act. Of that amount, \$43.5 million is recurring and \$20 million is nonrecurring.

The bill requires Visit Florida to annually allocate at least \$3.5 million of the funds appropriated by the Legislature to Visit Florida in the General Appropriations Act to develop, implement and maintain the medical tourism marketing plan. The bill also requires Visit Florida to annually allocate at least \$1.5 million of appropriated funds for the medical tourism matching grant program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 288.0001, 288.901, and 288.923.

This bill creates section 288.924 of the Florida Statutes.

IX. Additional Information:

- A. Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS/CS by Health Policy on March 25, 2014:

The CS requires OPPAGA and EDR to include the medical tourism program in their Economic Development Programs Evaluation that will reported to the Governor and the Legislature by January 1, 2015 and every 3 years afterwards.

CS by Commerce and Tourism on March 17, 2014:

The committee substitute requires that Visit Florida also include promoting medical conferences, training, and other business opportunities to attract medical practitioners to the state in the 4-year tourism marketing plan. The committee substitute removes the application deadline and requirement of equal division of funds related to the matching grant program.

- B. Amendments:**

None.