

# Comparative Advantage in Medical Tourism : Organizational Innovation of Medical Institutions in Japan

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## 1. Introduction

Medical tourism is thought to have a big possibility to develop as an industry. Population is decreasing in Japan now. This means that the markets in the country are shrinking for all industries. Medical industry is not an exception. It needs find a new growing market. Medical tourism is a candidate.

Medical tourism is one of inbound consumptions. Japanese medical institutes will accept many foreigners. Now many Asian countries hope to develop their medical tourism. These policies make a very competitive situation. When the governments want to succeed in medical tourism area, they must make their own comparative advantages.

Japanese society has a special language and a unique culture. They are very useful resources for tourism in general. They could also possibly be a barrier for medical tourism. If Japanese government wants to increase the foreigners who

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visit the country for medical care, it should encourage medical institutes to accomplish organizational innovations.

## 2. Medical Tourism in Japan and Asian Countries

Asian countries have tried to develop medical tourism since the start of 21<sup>st</sup> Century. Though these are the data in 2010, you can see the efforts of each country.

countries	fields	tourists (thousand)	JCI institutes
India	cardiac, liver transplantation, cosmetic surgery	450 (2007)	15
Malaysia	cosmetic	340 (2007)	6
Singapore	cancer, cardiac, orthopedic surgery	570 (2007)	16
Taiwan	advanced medical	n. a.	9
Korea	cosmetic surgery, clinical survey	1000 (2020, goal)	3
Thailand	cardiac, orthopedic surgery, neurological	1400 (2006)	9

Joint Commission is a non-profit organization and its headquarter located in Chicago. JCI is its international qualification. 23 Japanese medical institutes are authenticated in 2017.

The Asian market of medical tourism is only one in a meaning. Japan must also enlarge its share in the market. The competition is so severe that Japanese government must concentrate its resources into the fields where Japan has comparative advantages.

### 3. Comparative Advantage in Medicinal Cares

David Ricardo, a classical economist, introduced the concept of comparative advantage. The concept means that each country must concentrate its resources into the field where the country has lower cost than the opposite side in a relative meaning. This table shows the comparative medical costs in 2010.

treatments	U. S.	Japan	Korea	Thailand	Singapore	India
heart valve replacement	100	22	21	13	8	1
heart bypass operation	100	25	17	17	9	6
artificial hip joint replacement	100	43	33	28	22	16
knee replacement	100	21	36	24	22	14
hysterectomy	100	18	60	33	27	37
health examination	100	85	89	19	47	5

Even just in this table, Japan seemingly has comparative advantages in some treatments. As for medical treatment, however, qualities of treatments need be considered. If relative costs per quality are calculated, Japan may have more comparative advantages<sup>1</sup>.

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<sup>1</sup> Japanese medical treatment has good reputations in the fields of dental care and ophthalmology.

#### 4. Necessary Innovation in Japanese Medical Institutions

Japanese Ministry of Health, Labor and Welfare has tried to encourage medical tourism to Japan for more than ten years. It started the system of certification of medical tourism support firms. The tourist companies invite the foreigners and transmit them to medical institutes. Doctors are, however, anxious that this policy could bring profit-seeking mentality into medical care.

Medical institutes' traditional behavior is also a big problem. Japan has kept medical insurance for the whole nation for a long time. Because of this, medical institutes are much accustomed to make treatments just within the insurance. Their revenue depends exclusively upon the social insurance. Medical tourism cannot avoid adopting out-of-insurance treatments. Pressure group of doctors is opposite to medical tourism because it could encourage "mixed medical treatments".

Competition among medical institutes is pushing away not a few hospitals into bankruptcy. Some hospitals will have to select medical tourism as a strategy of survival in near future. In this meaning, Japanese medical institutes need several organizational innovations.

#### 5. Conclusion

Japanese medical institutes are going to the direction of "regional medicine". Does this make economic situation of the institutes improve? No! It will just make the local competition to enclose patients fiercer. They will come to have no choice other than finding new demand for their medical treatment.

In the past ten years, many medical institutes uttered the necessity of medical tourism. However, only very few succeeded. Almost all could not execute concrete

measures<sup>2</sup>. They have to take account of their own competitive powers and build effective strategies.

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<sup>2</sup> One bad example is my university's Hakata Station Clinic.