Excess demand meets excess supply as referral companies link Canadian patients, US hospitals

Milan Korcok

In brief

AS WAITING LISTS TURN "TOUGHING IT OUT" into a treatment option in Canada, more patients are willingly paying for prompt medical care in the US. Thanks to managed care and increased competition, the cost of care south of the border is dropping and referral brokers can often offer discounted prices to Canadians. Milan Korcok reports that American facilities are actively soliciting medical business from Canadians who have grown frustrated at having to wait for hospital beds, tests, referrals and treatment.

En bref

ALORS QUE LES LISTES D'ATTENTE DE PLUS EN PLUS LONGUES font que de «prendre son mal en patience» est devenu une option de traitement au Canada, un plus grand nombre de patients acceptent volontiers de payer pour obtenir rapidement, aux É.-U., des soins médicaux. Des soins gérés et une concurrence accrue font que les coûts des soins médicaux au sud de la frontière baissent et que les courtiers en référence sont souvent en mesure d'offrir des prix de rabais aux Canadiens. Milan Korcok rapporte que les établissements américains sollicitent activement la clientèle de Canadiens frustrés de devoir attendre un lit d'hôpital, des tests, le renvoi vers des spécialistes et un traitement.

Waiting lists are at an all-time high and will only continue to accelerate due to the lack of funds to improve the technology and hospital resources. Yet the US has up to 4 times the technology per capita of Canada and can easily handle the excess.
— from "A message to the physician," International Medical Referral Service Web site, **www.usmedihelp.net**

If you heard any of the political ads broadcast before the June federal election, you'll know that health care returned for one of the many encores it has enjoyed since medicare was introduced almost 30 years ago. Because it is not as abstract an idea as preserving cultural identity nor as exhausting as the debate on national unity, health care has remained a fundamentally practical issue that touches all Canadians.

Yet when a poll indicates that 56% of Canadians believe the health care system will worsen over the next 10 years, as *Maclean's* reported last December, it reveals a crisis of confidence in medicare.

When politicians have to explain why the system isn't working the way it should and why it is not delivering on its promise, they start looking for scapegoats.

When waiting lists for medically necessary services become routine and "toughing it out" becomes a treatment option, rationing has become a reality. (A report released in July by the Vancouver-based Fraser Institute indicated that 172 766 Canadians were on waiting lists for surgical and medical services in 1996 and their waiting time has been increasing; the data were based on a survey of 2694 specialists undertaken in the latter part of last year. Another report, from Ontario, showed 1603 people were on the official waiting list for cardiac treatment, up almost 30% in a year).

Features

Chroniques

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Orthopedic surgeon Charles Miller speaks with Canadian patient Donald Lyons prior to his hip-replacement surgery at the University of Virginia Medical Center

And when American hospitals and health care entrepreneurs throw a lifeline north of the border and Canadians grab it, can we blame them?

A few years ago many Americans were looking toward Canada as a potential solution for America's health care mess. Today, it appears, the tables have turned. Not only are hospitals, specialists and clinics in New York and a host of other locations welcoming Canadian patients who can't get prompt treatment at home, but brokers are openly trying to sell their services.

Donald Lyons was one of these patients.

Several years after having a hip replaced at St. Michael's Hospital in Toronto, the mutual-fund investment manager was living in unrelenting pain. With one leg 7.5 cm shorter than the other, increasing back problems and "a terrible limp," Lyons was incredulous when told by his orthopedic surgeon's staff that he would have to wait 18 months for surgery. "You've gotta be kidding," he retorted. But they weren't.

"They just told me to tough it out."

Lyons wouldn't do that. In January 1996 he saw a University of Virginia Medical Center advertisement in the *Globe and Mail*. It promised high-quality hip- and knee-replacement surgery at a reasonable price.

Lyons checked the centre's credentials, liked what he heard and decided that forgoing the agony of an 18-month wait in Canada was well worth US$15 000, the centre's all-inclusive price. He immediately went to Charlottesville, met the same day with an orthopedic surgeon and underwent surgery the following morning. Nine days later he was home.

"Pathetic!"

Today, Lyons has nothing but praise and gratitude for the way he was treated. He has even become something of a proselytizer for the growing cross-border referral of frustrated Canadian patients to US hospitals, specialists and clinics. He has one consistent comment about treatment delays in Canada: "Pathetic!"

In all provinces, waiting lists and waiting times appear to be getting longer. In its July 1997 report on waiting lists, the Fraser Institute said that waiting time to see a specialist increased by more than 9% between 1995 and 1996. As well, waiting times vary substantially across the country. Patients in Prince Edward Island have the longest wait to see a specialist (13.2 weeks) while those in Manitoba have the shortest (3.8 weeks). "The number of people on surgical waiting lists and the amount of time they are waiting for treatment varies substantially from province to province," says Cynthia Ramsay, who coauthored the institute's report. "There is not equal access to health care in Canada."

For some procedures that already provide major cross-border business, such as MRI scans, the differentials are equally daunting. For instance, the median wait for Ontario patients waiting for an MRI scan is 11.1 weeks, says the Fraser Institute, while patients in New Brunswick wait only 3.7 weeks.

A recent survey by the College of Family Physicians of Canada tends to support the institute's latest findings. It found that 70% to 80% of FPs say they spend more time fighting for patient care than they did 5 years ago because of waiting times for referrals to specialists, hospital waiting lists and waits for diagnostic tests.

Michael Flasch, vice-president of managed care and business development at the Henry Ford Health System in Detroit, is surprised that Canadians are willing to pay out of pocket for a range of clinical services they have already paid for through their taxes, but he says they appear to be doing just that.

Most Canadians going to Henry Ford are seeking cardiac and neurosurgical services. Asked how many Canadians had been treated there in recent months, Flasch said "more than 10 and less than 50."

"Certainly they're not lining up to get in," he commented, but a trend appears to be developing and Canadians are willing to pay, often at rates that are discounted by 25% to 30%. "We'll take that kind of business all day," Flasch said, adding that the hospital is listed on the Internet and some Canadians have made inquiries electronically.

Canadians will not get the same all-inclusive, per-case packages offered to American managed-care patients. However, "if the volume warranted, and if we saw an opportunity, we would not be averse to doing that." Per-case deals can often cut a usual and customary rate by half, depending on the expected volume. Staff from Henry Ford have opened discussions with surgeons in Windsor and the Ontario Ministry of Health to provide obstetric and

gynecologic services and neurosurgical and cardiac care to Canadians whose insurance is preapproved.

Marketing worthy of Wal-Mart

Until recently horror stories about the high cost of health care in the US kept many Canadians from even entertaining the thought of leaving Canada for care. However, the advent of managed care in the US and the need to develop competitive and "creative" product packaging is affecting the prices Canadians can expect to pay. As news about waiting lists spreads in the US, Canadians will likely see more advertising and promotion of US clinical services, all packaged and priced with a merchandising acumen worthy of Wal-Mart.

Dr. Robert Lifeso, a clinical professor of orthopedics at the State University of New York, which has affiliated hospitals in and around Buffalo, is seeing increasing numbers of Canadians who pay to attend the Erie County Medical Center. He understands their frustration at having to come south for MRI scans.

"Ridiculous," he scoffs. Lifeso empathizes strongly with their frustration because he is a seventh-generation Canadian who trained and practised in Canada for many years: "I feel I was forced out by my government."

Now he sees plenty of Canadians, many of whom have MRI scans for as little as US$345, down from $1200 just 2 or 3 years ago. Advanced computer technology has cut the time for the procedure from 1 hour to 20 minutes, and with 28 MRIs serving the Buffalo area and intense competition among providers, prices are dropping. In the US, marketplace dynamics are still very much a part of health care.

According to MRI technical staff, Erie County Medical Center sees an average of 20 Canadians a month — "30 in a good month" — and all take advantage of the lower prices. Similarly, British Columbians are going to Bellingham, Wash., where St. Joseph's Hospital alone does about 60 MRI scans for Canadians each year. Manitobans, meanwhile can head for the Dakota Heartland Health System in Fargo, ND. Most pay out of pocket.

For several years British Columbia has referred patients needing cardiac surgery, MRI scans and cancer radiotherapy to hospitals and clinics in nearby Washington. The referrals greatly eased waiting lists in the early '90s, particularly for cardiac surgery, and allowed the provincial cardiac service to rationalize its resources. Cardiac waiting lists, which stood at 695 in 1991, were at 400 patients in April .

Now waiting lists for cancer radiotherapy range between 360 and 450 patients, and there are about 1700 people on the waiting list for hip or knee replacements. The BC government recently announced a series of moves to bring these waiting lists down in size.

So did Ontario, where some waiting lists, particularly for cardiac care, have grown greatly. By April 1997 the Ontario Cardiac Care Network was reporting a waiting list of 1603 patients for cardiac services. Mark Vimr, executive director of the service, confirmed that 55 people on the waiting list died in the last 10 months of 1996 — 30% more deaths than in the same period a year earlier.

"We are concerned about that [percentage] increase," he said, but "it's also to be expected" because of the overall increase in the gross numbers on the waiting list.

The Ontario government recently reacted by pumping $35 million into provincial cardiac services to try to reduce the waiting list to approximately 600 patients. That would be the lowest level since 1990, when consolidated figures were first kept.

However, this type of supplementary funding may not eliminate Canadians' demand for care south of the border. Tonya Grinde, director of international business development for the University of Virginia Medical Center, sees a continuing and growing need to expand Canadians' access not only to hip and knee replacements but also for other services.

The 1996 ads it placed in the *Globe and Mail* and *Toronto Star* yielded about 150 inquiries and 4 patients; this was not a windfall, but the follow-up conversations with prospective patients and their physicians encouraged the centre to continue recruiting in Canada and to expand into cardiac surgery, catheterization, angiography and angioplasty.

"Our strategic intent is to develop a presence and a reputation in Canada of [being] a high-quality, low-cost provider that can be used for certain populations," says Grinde. "Our market research clearly shows that supply [of services] is limited and demand from an aging population is growing. This is a supply-and-demand issue."

"Canadians are considered incremental business," adds Grinde. In other words, they are gravy.

Although the Mayo Clinic in Rochester, Minn., does not actively seek foreign patients, it welcomes them as warmly as the University of Virginia and for the same reason: incremental business. So does the Cleveland Clinic in Ohio and its offshoot in Fort Lauderdale, Fla.

Jan Graner, administrator of the Mayo Clinic's international activities, says there recently has been a slight increase in business from Canada but the clinic has always "enjoyed many Canadian patients." She notes that the Mayo has approximately 8200 international patient registrations a year, and Canadians account for 18% to 20% of them.

Medical-referral brokers

Canadians who seek treatment in the US need to shop around, because prices vary tremendously. Cardiac bypass surgery is an example. At a Houston cardiac centre, a package price for bypass surgery can be US$20 000 to

$25 000; at an equally reputable hospital across the street, the price can be twice that.

Access to "wholesale" pricing has created a new species of health professional, the cross-border referral broker. Though referral companies such as Medical Referrals International of Etobicoke, Ont., the Free Trade Medical Network of Toronto and International Medical Referral Service of Kirkland, Wash., may not like to be called brokers, that's what they are: they arrange deals with US providers and offer Canadian patients discounted prices.

Douglas Philley, president of Medical Referrals International, says matching Canada's excess demand with America's excess supply makes eminent business sense and helps alleviate suffering. He has been arranging cross-border referrals for about 3 years, attracting Canadian patients from "as far away as Newfoundland." On the day of our interview he arranged for 2 Canadian men to be treated for prostate cancer in the US. "I didn't create the market," he says. "I just facilitate."

Douglas Hitchlock, president of Free Trade Medical Network, has been called some unkind names by impassioned opponents of "two-tier" medicine, but he is adamant that the growing waiting lists have a devastating impact not only on people who are suffering but also on the economy as a whole.

It makes a lot more sense to get an ill or injured person into treatment and back to work as soon as possible, he insists, and he makes that argument to insurers, employers, workers' compensation boards and health ministries.

Melinda Kresek, a Seattle health care administrator and cofounder of International Medical Referral Service, appeals directly to Canadian physicians — those who feel the pressure of not being able to get patients into treatment without being placed on long waiting lists.

On a Web page directed at Canadian physicians, down to the striking flag-red logo, Kresek highlights her ability to link patients easily and quickly with appropriate facilities and to negotiate fair prices in return for quality service. She promotes her knowledge of the network, not deep discounts.

She is also savvy enough to use news and editorial copy from British Columbia, some of which quotes CMA officials, to shore up her message. "We don't want to knock the BC health system," she insists, "but . . . we feel we offer a real alternative." ?