



Leo W. Gerard
International President

September 11, 2006

VIA FACSIMILE

Senate Committee on Finance
Senate Committee on Health, Education, Labor and Pensions
United States Senate
Washington, D.C. 20510

Dear Senator,

Our Union recently experienced a situation that exemplifies both the urgent need for real health care reform in our nation and the desperate extremes to which employers must stoop to feed the demand for ever increasing profit that has, thus far, led to the relentless export of U.S. jobs and technology.

Our members, along with thousands of unrepresented workers, are now being confronted with proposals to literally export themselves to have certain "expensive" medical procedures provided in India. This shocking new approach, now coined "Medical Tourism," has apparently been finding its way into companies' agendas as a way to cut health care costs. Articles have recently been published in *USA Today*, the *Los Angeles Times* and the *Christian Science Monitor*, which I have enclosed for your review. With companies now proposing to send their own American employees abroad for less expensive health care services, there can be no doubt that the U.S. health care system is in immediate need of massive reform.

No U.S. citizen should be exposed to the risks involved in international travel, possible exposure to less than sanitary conditions, lack of oversight, forfeiture of legal rights and little, if any, recourse in the event of problems. These are all unwarranted risks to which Americans should not be subjected. The willingness of employers to offer incentives for assuming these risks is frightening. The right to safe, secure and dependable health care in one's own country should not be surrendered for any reason - certainly not to fatten the profit margins of corporate investors.


The United Steelworkers remains especially concerned with the unwillingness of many within industry and government to confront and aid in addressing the multitude of issues driving up the cost of health care in our nation for both our employed members and retirees. No one group can successfully fight this battle; it can only be won if we all work toward a common solution. The offshoring of family- and community-supportive

jobs is bad enough. Exacerbating this crisis by attempting to outsource health care is not only shameless, it does nothing to solve the nation's skyrocketing health care costs.

We remain steadfast in our commitment to rebuild a domestic health care system; one that does not subject our members or other U.S. citizens to the immeasurable risks of exposure to foreign health care providers. Our union renews its commitment to work with you, other legislators, government officials, health care providers and insurers to create a health care system in the U.S that provides excellent care for all Americans, at affordable costs, within our own borders.

We urge you to further these goals by advocating the introduction of legislation in the next Congress that will address solutions to the health care crisis that prevent employees from being the sole stakeholders who are being asked to make sacrifices in the face of runaway health care costs.

Sincerely,

A handwritten signature in black ink that reads "Leo W. Gerard". The signature is written in a cursive, flowing style.

Leo W. Gerard
International President

LWG/pak

c: J. Sweeney, President, AFL-CIO
R. Trumka, Sec.-Treasurer, AFL-CIO
L. Chavez-Thompson, Exec. VP, AFL-CIO

Enclosure

Sending Patients Packing

By Julie Appleby and Julie Schmit, USA TODAY

Would you travel to India for a cut-rate heart bypass? How about Thailand for a hip replacement? Some uninsured and those with skimpy insurance have taken the risk, leading to what promoters say is a growing trade in "medical tourism."

Now, companies that help arrange such travel are eyeing a far bigger market: U.S. employers who want to save money on their health care costs.

The appeal is obvious: Heart surgeries and hip replacements in such countries as India, Thailand and Mexico can be had for less than one-third the cost in the USA.

At the same time, medical costs in the USA are rising rapidly, with no end in sight.

"Companies have reached that point of being pinned to the wall faster than we thought," says Rajesh Rao, CEO of IndUShealth, which helps arrange travel and medical care abroad.

Don't look for major health insurers to offer such a plan nationally yet. But several small companies that arrange medical travel have recently launched programs aimed at employers, and one Florida health plan administrator has one, too:

- Florida's United Group Programs, which offers administrative services to self-insured employers, has begun promoting surgeries in a Thailand hospital as an option for its employer clients.
- West Virginia Republican state legislator Ray Canterbury introduced a bill this year to allow state employees to fly first class to hospitals abroad, with a family member or friend, stay at a four-star hotel to recuperate and get extra sick days and cash bonuses that, in some instances, could total several thousand dollars.
- Insurers Health Net and Blue Shield of California each offer policies that allow holders to get most of their care in Mexico, but include access to some services in Southern California as well. Blue Shield's plan is sold to individuals, while Health Net sells to both individuals and employers.

Trend predicted to take off

While few employers have signed on to the idea of medical tourism yet, some benefit consultants think the trend will soon take off.

"This is going to spread much more widely," says Arnold Milstein, chief physician at consulting firm Mercer Health & Benefits, who says he's been hired by three *Fortune* 500 companies to assess the feasibility of outsourcing non-urgent major surgeries for their self-insured health benefit plans.

Medical tour arranger MedRetreat, which has a staff of nine split between Chicago and Baltimore offices, says it works mainly with individuals, but it will launch a division next year to promote foreign care to employers. So far, the company doesn't have competition from major health insurers, says managing director Patrick Marsek.

"They're not quite keen on sending clients overseas yet," possibly because such programs could upset the U.S. hospitals the insurers currently use, Marsek says.

Some employers may be cautious

Not everyone is convinced that employers will embrace medical care abroad for their workers. Regulatory hurdles, not to mention questions about safety and liability, may scare off employers.

"Employers will be very cautious about this," says Mike Taylor, a principal at benefits firm Towers Perrin. "Smaller employers will try it. The big employers will wait."

While about 100 hospitals abroad are currently accredited by an affiliate of the same company that checks American hospitals, not all of the hospitals used by tour companies are. And even accreditation doesn't mean that things can't go wrong. Training for doctors in other countries may be quite different from training in the USA, although some of the hospitals say they have U.S.-trained surgeons.

While prices are lower abroad, Milstein cautions that consumers should not think that quality is superior to American care.

"With the overseas sites, the pitch would be not superior quality, but equal quality and accreditation," Milstein says.

Employers focus on bottom line

For employers, the big draw is the savings.

Promoters of medical tourism contend that the option to go abroad may help cure one of the most difficult problems in America: how to provide quality medical care at an affordable price.

"This is hard-dollar savings," says Jonathan Edelheit, vice president of sales for United Group Programs, which offers a plan to self-insured employers that includes services at Bumrungrad Hospital in Bangkok, Thailand. "If we send someone there for a bypass, the employer saves \$60,000 to \$70,000. We would consider this a magic bullet."

Darrell Douglas, vice president of human resources at Blue Ridge Paper in Canton, N.C., says health care costs are driving his company to consider a foreign option.

The 2,100-employee paper-products manufacturer is partly union-owned and has already taken big steps to cut its health care costs, including on-site pharmacy, medical clinic and wellness programs. Even with a 3% drop in medical costs last year, the company is spending about \$20 million a year on health care for workers and dependents.

After seeing a television program on medical tourism, the company's benefits director began talking with IndUShealth. After the monsoon season ends in India, Blue Ridge will send a team to check out hospitals to see if employees could have surgeries done there.

"If it's all it's cracked up to be, we'll probably advertise it as an option," says Douglas.

Countries eager to welcome travelers

The growing interest has caught the attention of countries such as India, South Africa, Thailand, Mexico and Taiwan. Many are eagerly welcoming travelers, promoting fancy hotels for recuperation and spending billions to spiff up facilities for visitors. The Confederation of Indian

Industry says that medical tourism in India alone is a \$300 million business and could grow to \$2 billion by 2012.

"What we're doing is introducing global competition to the American medical profession," Douglas says. "If employers start sending a few patients abroad to get high-quality health care at reasonable prices, it's got to have impact."

But some economists, such as Uwe Reinhardt of Princeton University, says it may not grow large enough to make an impact.

Still, the self-insured paper company expects it would save money even if only a few workers went to India, even with the company paying the airfare for the worker and a companion. It may even share some of the savings, possibly up to \$10,000, with those who choose to go.

Such incentives may be necessary, says Milstein, who surveyed consumers to see how much of a financial push they would need.

"For small incentives, Americans are not going to get on a plane and fly to a strange country and interact with a physician they don't know," he says. "The incentives will need to be in the \$5,000 to \$10,000 range, plus travel and hotel for the employee and spouse."

But caution is needed with incentives, as well, says Taylor at Perrin. "If you're not careful, it isn't voluntary: The incentives are so strong that you force people over there," he says.

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From the Los Angeles Times

U.S. Employers Look Offshore for Healthcare

As costs rise, workers are being sent abroad to get operations that cost tens of thousands more in the U.S.

By Daniel Yi
Times Staff Writer

July 30, 2006

After going overseas to outsource everything from manufacturing to customer services, American businesses — pressed by rising healthcare costs — are looking offshore for medical benefits as well.

A growing number of employers that fund their own health insurance plans are looking into sending ailing employees abroad for surgeries that in the U.S. cost tens of thousands of dollars more.

Carl Garrett of Leicester, N.C., will fly to a state-of-the-art New Delhi hospital in September for

surgeries to remove gallstones and to fix an overworn rotator cuff. His employer, Blue Ridge Paper Products Inc. of Canton, N.C., will pay for it all, including airfare for Garrett and his fiancée. The company also will give Garrett a share of the expected savings, up to \$10,000, when he returns.

Garrett chose to go abroad rather than have the operations locally, where he would have paid thousands of dollars in deductibles and co-pays.

"I think it is a great thing," the 60-year-old technician said. "Maybe it will drive down prices [of surgeries] here in the U.S."

Blue Ridge, which employs 2,000 and funds its own health plan, began studying the idea out of frustration with rising rates at local hospitals, company officials said. Blue Ridge's healthcare costs have doubled in the last five years, to about \$9,500 a year per employee.

"The hospitals have a monopoly. They don't care, because where else are patients going to go?" said benefits director Bonnie Blackley. "Well, we are going to go to India."

Every year, tens of thousands of Americans travel abroad for cheaper tummy tucks and angioplasties. This "medical tourism" has typically been reserved for uninsured procedures or uninsured patients.

No major insurer offers such travel, but several employers that fund their own benefit programs have expressed interest, according to consultants and medical tourism agencies. No statistics are readily available on how many companies or patients have undertaken such travel.

Some medical tourism agencies are preparing to offer health insurance plans that outsource all major surgeries abroad. IndUSHealth — a medical tourism agency based in Raleigh, N.C., that Blue Ridge hired — said it was in negotiations with several companies.

Earlier this year, United Group Programs Inc., a health plan manager in Boca Raton, Fla., added a Thai hospital to its network of preferred providers. A handful of plan members have traveled to Thailand for treatment in recent months.

Arnold Milstein, chief physician at human resources consulting giant Mercer Health & Benefits, said he had been hired by three Fortune 500 companies interested in contracting with offshore hospitals. Milstein said the employers requested anonymity because they were not ready to unveil plans to their workers.

"This could really open up the healthcare market to foreign medical travel," said Milstein, who is based in San Francisco. "It won't just be people without insurance anymore. It could be available to just about everybody."

U.S. hospital operators say that doesn't bode well for them.

"This is not the solution," said California Hospital Assn. spokeswoman Jan Emerson. "In fact, this could make problems worse."

Hospitals must deal with rising costs just like other parts of the healthcare system, she said, and California hospitals lost \$6.65 billion last year caring for the uninsured. Hospitals rely on paying,

well-insured patients to keep them afloat in the face of costly government regulations and low-paying government programs like Medicare and Medicaid, she said.

Exporting the best-paying patients, she said, "will only add to the woes of the entire healthcare system."

But like other industries, healthcare is globalizing as costs rise. High drug prices have led some Americans to import prescription drugs from Canada and elsewhere. Some U.S. hospitals outsource radiology analyses to cheaper facilities in Australia and Europe.

Industry observers say that expanding health plans' provider networks to include foreign hospitals is an economic necessity and a natural progression.

But there are risks. Patients have little or no legal recourse in medical malpractice cases because of relatively weak patient-protection laws in such countries as India and Thailand, popular surgery destinations among Americans. And U.S. medical organizations and government agencies do not oversee foreign facilities.

"Foremost, surgery is a serious business," Bruce Cunningham, a plastic surgeon from Minneapolis, testified at a recent Senate hearing on medical tourism. "Patients simply cannot make informed decisions about medical care, or establish a proper physician-patient relationship, from travel brochures."

Milstein, of Mercer Health & Benefits, says hospital quality is not a major worry because over the years, the same agency that accredits most American hospitals for participation in Medicare — the federally funded health plan for the elderly and disabled — has accredited 88 foreign hospitals through a joint international commission.

Bumrungrad Hospital in Bangkok, Thailand, and Apollo Hospitals in India, for example, are internationally recognized institutions. Despite the Third World conditions outside, the hospitals resemble five-star hotels and are equipped with the latest technology, American patients have reported. Many of the doctors are trained in the U.S., and visiting Americans are pampered around the clock, they have said.

Still, traveling far from home to undergo a serious surgery may not appeal to everybody.

"Some of our employees have never even been on a plane," said Blackley, Blue Ridge's benefits director.

The company has not fully implemented the plan to all employees but hopes to do so in coming months, she said. Employees will be offered incentives such as waived co-pays to travel abroad for certain types of surgeries, but they will not be required to do so. Garrett will be a Blue Ridge test case, and company officials are expected to visit the facilities in India soon.

"It sounds crazy," Blackley said, "but desperate times call for desperate measures."

As more companies join the ranks, the concept may not sound that extreme, Milstein said: "The perception will change gradually, as more patients go through the experience."

The savings can be sizable.

A coronary artery bypass surgery costs about \$6,500 at Apollo Hospitals in India, Milstein estimated.

The average price in California is \$60,400.

Some health plans in California, such as Blue Cross of California and Health Net, have insurance plans with approved providers in Mexico. The plans offer lower premiums but are limited to those living near the border.

United Group, the health insurance manager that recently added Bangkok's Bumrungrad Hospital to its provider network, offers low-premium insurance called a Mini-Med plan that covers basic medical treatment but only a few major procedures.

Surgery coverage for Mini-Med's 20,000 subscribers is capped at about \$3,000, said Jonathan Edelheit, United Group's vice president of sales. By going to Bangkok, subscribers may be able to afford a surgery that would have been prohibitively expensive in the U.S.

Along similar lines, a Malibu-based start-up, PlanetHospital, hopes to create a health insurance plan that covers primary care in the U.S. but major procedures in foreign hospitals.

"America has the best medical treatment," said founder Rupak Acharya. "Problem is, much of it is inaccessible."

August 16, 2006

Companies explore overseas healthcare

To cut its insurance costs, a US papermaker plans to let workers seek medical care abroad in 2007.

By Patrik Jonsson | Staff writer of The Christian Science Monitor

ATLANTA – Carl Garrett, a paper-mill technician in Leicester, N.C., is scheduled to travel Sept. 2 to New Delhi, where he will undergo two operations. Though American individuals have gone abroad for cheaper operations, Mr. Garrett is a pioneer of sorts.

He is a test case for his company, Blue Ridge Paper Products, Inc., in North Carolina, which is set to provide a health benefit plan that allows its employees and their dependents to obtain medical care overseas beginning in 2007.

"It's brand-new and nobody's ever heard of going to India or even South Carolina for an operation, so it's all pretty foreign to people here," says Garrett. "It's a frontier."

Garrett's medical care alone may save the company \$50,000. And instead of winding up \$20,000 in debt to have the operations in the US, he may now get up to \$10,000 back as a share of the savings. He'll also get to see the Taj Mahal as part of a two-day tour before the surgery.

His two operations could cost \$100,000 in the US; they'll run about \$20,000 in India.

With US health insurance costs soaring, cash-squeezed companies such as Blue Ridge and poor states such as West Virginia are considering affordable plans that may require their employees to travel to India, Thailand, or Indonesia.

Critics say that limited malpractice laws in foreign countries makes such travel risky as well as the prospect of spending 20 hours on an airplane after invasive surgery. Despite the concerns, "medical tourism" is morphing into "global healthcare."

"Global healthcare is coming and American healthcare, which is pricing itself out of reach, needs to know there are alternatives" in order to improve, says Alain Enthoven, senior fellow at the Center for Health Policy in Stanford, Calif.

The average American hospital bill was \$6,280 in 2004, twice that of other Western countries, according to the National Coalition on Health Care (NCHC) in Washington.

The cost savings have prompted a few hundred Americans this year to fly to India, Jakarta, or Bangkok for serious medical conditions, receiving heart stints and hip replacements. But most of the some 150,000 "medical tourists" nationwide go for a tooth filling or plastic surgery and a week at a sunny beach resort where the dollar stretches like lycra.

More companies - especially those with smaller company-run plans - are investigating people's claims of good overseas hospital care. The International Standards Organization in Geneva accredits these hospitals and audits American hospitals, too.

Companies are also attracted to the relatively inexpensive price tag for care at foreign hospitals, which have been reported to be up to 80 percent less than in the US. In New Delhi, for example, the Apollo chain of hospitals gives resort-style convalescence care for \$87 a night.

- Insurers Health Net of California already contracts with medical clinics on the Mexico side of the US border.
- A West Virginia state legislator introduced a bill this year that would encourage state workers to seek treatment overseas using incentives such as cash bonuses and family travel.
- United Group Programs in Florida, which administers self-insurance programs for small companies, has contracted with a Thailand hospital for its employer clients.
- Inquiries from self-insured employers are brisk at IndUShealth in Raleigh, N.C., which specializes in offshoring serious medical cases such as rotator cuff surgery and gall bladder removal to India.

"We're dealing mostly with companies that are self-funded and have essentially run out of options," says IndUShealth president Tom Keesling. "It's an amazing trend, and it speaks to the tremendous frustration people feel with how to provide healthcare services in our current environment."

Blue Ridge Paper Products, which makes the DairyPak milk carton, pleaded unsuccessfully with providers for discounts for its 5,000 covered workers. In the past five years, the company established its own clinic and pharmacy. Blue Ridge decided to try overseas healthcare after it heard that hospitals "rolled out the red carpet" to American patients based on news reports and personal accounts from a North Carolina medical traveler brought in by IndUShealth.

"We want to help our company but also help to drive healthcare reform," says Darrell Douglas, vice president of human resources. "We're very much homebodies ... and the idea of going abroad for fun, let alone healthcare, is foreign to some people. But we do have some adventuresome people, and [Mr. Garrett] is one."

For critics, Americans heading overseas for care shows the severity of the country's healthcare crisis - especially as employers' health insurance premiums have risen 73 percent while average employee contributions have risen 143 percent since 2000, according to the NCHC. Rising costs stem from poor management, inefficiencies, waste, fraud, and lack of competition, critics say.

"We're seeing some employers who are seriously beginning to think about doing [global healthcare] and not giving employees an option," says Joel Miller, vice president of operations at the NCHC. "And that has implications for quality of care, and what recourse people have if something goes wrong overseas."

Hospital officials say only a sliver of business will be lost to overseas providers. Yet going overseas for expensive medical services, such as heart bypass surgery, cut into US hospitals profit centers - such as heart units - that are used to underwrite emergency rooms and indigent care.

"[Global healthcare] will limit the amount of money that's available for everybody else to have access to the system and starts to jeopardize access to healthcare for everybody in the community," says Don Dalton, a spokesman for the North Carolina Hospital Association.

Garrett, meanwhile, anticipates movie-star treatment in India. Doctors will operate on his gall bladder and left shoulder, he says, and he will have a 24-hour nurse working only for him while he's recovering. Garrett's experience could affect whether Blue Ridge will proceed with its plan to give its workers the option of going overseas for medical care, the company says. "Everyone can see this thing could really become a big thing, so they're going to go out of their way to make sure everything is above and beyond the average in the United States," Garrett says.