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Press Article

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Bangkok's Bumrungrad hospital is exporting its brand of health tourism to the region and beyond.

Juliana Langfelder travelled from Germany to Bangkok's Bumrungrad International, Southeast Asia's largest private hospital, for cosmetic treatment after her health insurer refused to pay for the removal of an unsightly scar. Following a serious water skiing accident off Phuket. American David Mitchell also went to Bumrungrad for treatment, because it offered a better deal than his holiday insurance.

They were among 360,000 foreigners who journeyed to the hospital last year, making it one of the world's premier destinations for so called health tourism with prices for treatment between 50% and 70% lower than in the US, Europe, Australia and Hong Kong. Now, the hospital, which is listed on the Stock Exchange of Thailand and partly owned by the ethnic Chinese Sophonpanich family of Bangkok Bank, has begun exporting its brand. The company is not only buying into hospitals in other countries, it's selling its US-style management plan too.

The 550-bed Bumrungrad, which has just added "International" to its title, has bought a 40% stake in Manila's newest private medical centre, Asian Hospital, and is investing almost US\$10 million in a 49% stake in a new Dubai hospital under construction.

Bumrungrad International will also manage two other new regional hospitals when they open shortly: the Pun Hlaing International Hospital in Yangon, Myanmar and the Square International in Dhaka, Bangladesh. In addition, Bumrungrad management is to lead the Manila hospital, and the one in Dubai when it opens in 2007.

"Private healthcare is a growth industry, especially China," Bumrungrad's Marketing director Ruben Toral told Asia Inc. "We believe the international component of our business will continue to grow and at a faster pace than our domestic business. We will focus on regional expansion, primarily in the Middle East, and South and Southeast Asia, and China."

Toral says the company hopes to announce other joint-venture projects later this year. CEO Curt Schneider was more specific, saying "We are examining new opportunities in Southeast Asia --mainly in Malaysia and Vietnam -- China and the Middle East, where the number of health-conscious middleclass people is growing."

Established 24 years ago, Bumrungrad began to mark itself out from the rest of Bangkok's health tourism industry about 10 years ago by hiring not only experienced foreign doctors but also foreign management expertise. Both Toral and Schneider are Americans and the senior foreign management team numbers 10. "This foreign component of our management is, I believe, a defining difference between Bumrungrad International and its regional competitors," says Toral. "Our senior management are seasoned healthcare executives with extensive international experience running major medical centres."

Schneider arrived in 1993 when the hospital was 100% Thai-managed, and is credited with reshaping and repackaging the hospital as an international brand. Previously, he had opened and managed four new hospitals in the Middle East and the US while working with the US-based Tenet Healthcare Corp. "Today, our organisation is more than just a hospital," says Schneider. "A common mark of the most prestigious medical centres in

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What does 'Bumrungrad' mean?

This Thai word - pronounced Bahm-roong-RAHT - "care for the people"

the world is a balance of clinical care, teaching and research that keeps the hospital, its staff and its doctors at the top of their game."

But is Bumrungrad's international venture a sound strategy? Lance Depew, who manages a Thai hedge fund for Quest Capital in Bangkok -- which includes a 1% stake in Bumrungrad -- thinks it could be risky, partly because the track record for Thai companies investing overseas is not a good one. "I would be cautious about Bumrungrad going into these other markets," says Depew. "It is going to take a tremendous amount of management time to oversee these foreign investments. I would rather that this money is not wasted if there is no pot of gold at the end of it."

He says Bumrungrad already leads the field within Thailand and he believes the development of additional facilities in Bangkok, now under way, will enhance their competitiveness and capacity in the home market. Some analysts have suggested that Bumrungrad is moving overseas because the domestic market could become saturated within five years if growth continues unabated. But Depew disagrees: "I don't think it's the case that the market in Bangkok will mature. Bumrungrad has the means to grow in Bangkok and to increase in-and out-patient flows. I think there is still a lot of opportunity to service both the local and the foreign health tourism markets."

Bumrungrad Hospital is a stand-alone operation whereas its chief rival, publicly-listed Dusit Medical Services, either owns or operates nine hospitals in key locations across the country, including the tourist centres of Pattaya, Phuket and Koh Samui. The Three Bangkok hospitals in the group include one of the city's oldest and most venerable medical names -- the Bangkok Hospital boasts an international medical centre catering exclusively to foreign patients. It includes interpreters for 26 languages and a department specifically for Japanese visitors.

The current boom international healthcare follows a near-collapse of the industry in the wake of the 1996-97 Asian financial crisis. In 1999, for instance, Bumrungrad posted net losses of 1.06 billion baht (US\$26.76 million). Last year, net revenues were 5.7 billion baht -- up 23% on 2003 -- as the hospital reached the milestone of treating a million patients in a calendar year. Dusit Medical Services enjoyed a net profit of 384.47 million baht in 2003, before its late-2004 full takeover of several hospitals now part of the group. Bumrungrad forecasts overall revenue growth of 15% this year, after recording a rise in foreign-patient revenue last year of around 38%. The ratio of foreign to domestic patients is moving close to 50:50. But although the health tourism business might reach saturation point in the not-too-distant future, Bumrungrad is also gearing up for another healthcare phenomenon still new to Asia.

"I believe that we are going to see a major change in healthcare systems worldwide as corporations, governments and insurers in the US, Europe and Japan explore cheaper and more efficient healthcare options," says Toral. "One of those options could be medical outsourcing, whereby patients are sent to hospitals, like Bumrungrad International, for procedures like joint-replacement surgery, spinal surgery and cardiac surgery.

"If the payer can save 50% on the cost of treatment, and the patient receives international-standard quality care with no waiting, then it is a win-win situation for both." It seems to be developing already: Several government agencies in the Middle East that previously sent employees to the UK, Germany and the US for specialist treatment are switching to Bumrungrad. They include the Dubai police department, the Dubai Department of Health and the Royal Guard of Oman.

This may explain why Bumrungrad has embarked on its stake in the 250-bed private hospital to be built in Dubai. It has gone into partnership with a leading United Arab Emirates investment company, Istithmar "The facility is well positioned to meet the growing healthcare needs of one of the fastest-growing cities in the world and to attract patients from throughout the region says Schneider.

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