



Wellness Tourism Congress

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7th Annual Global Spa & Wellness Summit

New Dehli, India

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**Keynote Speech by Curtis Schroeder,
CEO and Founder, Intermedika**

**Medical & Spa Tourism: Marriage Made in
Heaven....or Shotgun Wedding?**

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MS. BONNIE ST. JOHN: ...is a true pioneer of medical tourism. He has over 30 years of experience in hospital management in the Middle East, the U.S., and Asia. He led the team that transformed a small hospital in Bangkok into the largest private medical center in Asia, with a market cap of over \$1 billion U.S. dollars. Today he is CEO and Founder of Intermedica, a company that provides advisory services to hospitals, healthcare companies, investors, governments, and healthcare tourism promotion boards around the world.

Curtis is here to help us look at wellness tourism from the professional healthcare provider point of view. I asked him his favorite spa treatment, and he said he's a real spa junkie. But he lives in Thailand, they have so much massage there they just bring it to your house. There's primary, secondary; he's like tertiary, they just deliver it with the morning paper; they get a massage. Last time Susie heard Curtis speak, three years ago, she had a defining moment. So let's hear Curtis speak again and see if she has another defining moment. [Applause].

MR. CURTIS SCHROEDER: Thank you, Bonnie. That's a lot of pressure. I've got to have another paradigm shift up here. Great to follow my good friend, Joe. I'm just glad you didn't put me after the Dalai Lama. How tough could that be? It'd be like the warm-up band coming after the Rolling Stones. And as Bonnie mentioned, and Susie mentioned this morning, we met at a table at a conference in Brazil. She said it changed her life; moved mountains to complete, 35-year paradigm was blown up. I was just going 'cause they had a free lunch with wine, and we talked over lunch. She asked me to come back and talk a little bit.

And I warn you in advance, as kind of a spoiler alert; I'm sort of the disruptive speaker. So I'm kind of like the only real hospital person that comes from the CEO traditional background, so I'm a little bit of Yankee in King Arthur's Court here. So I'm going to give you a little perspective of how the hospitals look at this from their rather unique, unilateral perspective, that may be a little bit different than you've heard in the past. And we're going to look at this combination of medical and spa, and find out do they fit or don't they fit. Was this potentially a shotgun wedding?

A little bit why I'm here today. I was with Bumrungrad for 17 years, but in Thailand it was rather a unique place for this to come together. It was an established location for a spa, had some of the best spas, the Chiva-Som, the banyan trees, the mandarin oriental got their start there. And also it was a boilerplate area for looking at medical tourism with Bumrungrad coming up and eventually becoming the largest medical tourism site in the world. So we had a chance to try to cross-pollinate these two industries very early on. We made a whole lot of mistakes. Some stuff worked, a lot of stuff was a little bit of a disaster.

So I'm going to talk a little bit about our early experience in trying to bring these two worlds together. I'm not going to repeat a lot of the excellent that has been done, a couple years ago at the 2011 conference. Great presentation from Susie Lazlo [phonetic] and others in the audience today, did a treatise on the merging together, looking at medical tourism and wellness tourism. So today I'm not going to be standing on their shoulders; I'm going to be kind of cowering in the shadow of that very large study, but giving you again, the perspective.

So let's take a look; is this a marriage made in heaven. Part of that study that was done a couple years ago was this rather interesting matrix, again, of all the different kinds of business, and it sort of implies a nexus. It implies that this is a continuum, as we saw from Ophelia the other day, that there's medicine on one side and maybe spa on the other. I'm not sure we quite agree with that. I'm not sure it actually is a continuum between the two, and we'll talk a little bit about why that may be.

On the surface, it would appear that there's a lot of commonality between medical tourism and spa tourism. The biggest thing is, I mean we all fly in and fly out. There's a window of opportunity for our customers that is very similar. Our customer profiles are very similar. They tend to be high net worth; and I'm talking about international fly-ins. They tend to have a high disposable income, they have a shared interest in health. We're all here for health and wellness. And just as hotels were able to successfully add spas to increase their market yield in business, the thought was, well spas can move up the food chain as well and add another option with medical care, and maybe expand their market.

The motivations of stakeholders, though, are quite different. The spas are trying to move up the food chain, add some additional revenue yield, expand their options, and open up some new markets. Hospitals are looking at product differentiation; how do I make my hospital different than others; maybe penetrating a new market, and looking at some pre and post-care options. Governments love the whole story because medical tourists are the highest spending tourists on the face of the earth. Even more than wellness tourists. So they're very interested in high-yield tourists, boosting 4X, and also in the prestige.

Thailand loved the idea of being known for something other than evening life—which is the nice way of saying it—spicy food, and sun, and palm trees. So they grasped the idea that being known for medical care was pretty cool. And God knows, the media loves this story. Anything that has to do with medical care, anything that has to do with money and travel, the media is all over it. And we haven't had any problem getting media attention for medical tourism. And by the way, this is the cover on Newsweek, and my doctors were all asking me where this nurse works. And I kept saying, she's a model; we don't know. She probably lives in New York. Is she on Ward 4? No, no, she doesn't work here. I must have 100 doctors asking where she worked.

So if all this alignment of the planets is here for medical, and spas, and wellness, to get together, how come that the hospitals aren't banging on your doors, trying to figure out how to get in and make this happen? And I'm going to talk about maybe five possible reasons why this may not be as a marriage made in heaven. And I don't want to be negative, but as a spoiler, I want to let you know that we tried a lot of things. So I'm going to tell you basically a little bit of a case study and some of the things that we tried.

Number one, very different customer expectations. They're the same customer, but their expectations are substantially different. I'm going to give you two stories. We tried to put the spa and the hospital, working with a group that you're probably aware of, Mandara, maybe 10 or 12 years ago. We actually opened a spa in the hospital. We had a great press release. We had the Minister of Tourism and the Minister of Health, from Thailand, getting shoulder massages in front of a great press release. And we opened a spa and we did aromatherapy and we had room delivery, and we were going to offer programs for mothers and post surgical, and it

just seemed like a natural confluence of two complementary businesses. Everybody loved it, media loved it, I loved it, Mandara loved it. Our patients didn't love it.

I was the biggest customer; my wife was the second biggest customer. I got massages in my office just because I felt bad because the Mandara people were sitting around with not a lot to do. When we asked the post mortem, why was that? After a year of giving it a best shot, they said they just weren't ready to come to the hospital to have a massage. The visitors didn't want to do it 'cause they didn't want to have their wife up in the ICU, and they're having a massage, didn't seem to work.

People didn't really look at this as a spa environment. You know better than I do, you're creating an experience, an environment, an ambiance. Try to recreate that in the hospital, and the mindset is very, very difficult, and they weren't willing to pay a significant premium. They're paying a lot of premium to the oil on the hands that you provide, by the ambiance. And you can't really do that in the hospital; their mindset is significantly different.

We then also worked with Chiva-Som early on, to try to put the hospital into the spa. And we actually came up with a program to offer checkups before people would go to Chiva-Som. They would come in and they were supposed to have their checkups done, stay one night at the five-star local hotel. They'd have all the things done in the morning, move on to Chiva-Som, then we would send a doctor later, with the idea of explaining all of your checkup results and your stress test results. And again, great idea, great press release, really good stuff. Went on websites. You know how many people signed up for it? Zero. None.

And we asked the people in marketing, why was that, and they said the same thing, but the other thing. When we come to the spa, we're there for the ambiance, we're there to get well. One of the people told me, look, when I get a checkup, I do it at home with my home doctor in my home city. I know I'm 20 pounds overweight, I know my cholesterol is 230, I know this already, that's why I'm bloody here at Chiva-Som. I don't want to be poked and prodded and have a person in a white coat tell me that I'm fat and I my blood-sugar's too high. And I appreciate it, I value it, because I'm a wellness customer. But the incidents are separate. I do that at home; this is why I come here.

So we learned a couple of lessons from that about place. And again, spa customer expectations are very different than a hospital patient expectation.

Here's an interesting one. The fundamental economics between spa and hospitals are different. So now I put on my hospital CEO hat, and I look at do I want to be in the wellness business? Here's an interesting slide. I looked at the top 20 things that people come to hospitals for. And I looked at profitability. This is profit margin by kind. So number one, cardiac surgery. Look what's at the bottom. Does this list look familiar? Is this the wellness list, the crossover list for the spas, and the medi-spas, plastic surgery, rehab, checkups, dermatology, dental? These are the lowest margin businesses in the hospital.

If you went to Bumrungrad Hospital today, all these are actually across the street, because we can't afford to put them in the high cost environment of the hospital. They have very, very low margins. Most of the money for plastic surgery—you must be making a fortune off plastic surgery. You're doing 4,000 a year. Most of that money goes to the doctor. They don't use intensive care, laboratory, x-ray, pharmacy. They use an hour and a half in the operating theater and they're out. And the doctor keeps 80% of the cash. We get a few bucks for the operating theater. I bet we don't make \$100 on a \$3,000 facelift.

So when you're trying to get hospital CEOs excited, that may be the reason why, as we look at that as very low-end business. It's not that we don't want to be in it, but we have to be very careful about dominating time.

The other one here is checkups, which was interesting. During the SARS problem in 2003, Hong Kong discovered Thailand. People were coming by the hundreds to have their checkups done in Thailand, 'cause it was safe and we didn't have SARS. They were very excited about that.

The government got excited and said, hey, why don't we package. People can come over for golf and checkups; and we kept telling the government, we don't want this. And they said, why, you'll make money. And they said, yes, but checkups are a lot-leader for us. We make a dollar. The reason we do them is so if you get sick you'll come into our hospital and use it. A person in Hong Kong, when they get sick, they're going to stay in Hong Kong. They're going to

have their gall bladder out in Hong Kong. So we don't want to do checkups for people from Hong Kong. People from the Middle East, yes, because they will come and use us when they get sick. So again, sometimes we work a little bit across purposes, even with the governments.

Another reason it's difficult for spas to get in is what we call the investment cliff. Healthcare is really expensive. You have to buy really, really expensive equipment; hundreds of thousands of dollars. I visited some very high-end destination spas in the U.S. that had introduced doctors and cardiac testing, EKG machines, ultra-sound machines. They spent \$6-\$700,000.

I visited them about a year after they started the program and I insisted on taking a peek in the door. And what I found was a thin layer of dust on most of the equipment and it was all unplugged. Bottom line is, they started with a fulltime doctor, then it was a three-day a week doctor, then it was an on-call doctor. And they basically admitted after a while that their clients were telling them, look, I get my checkup at home with my doctor. When I come here, I come here to hike and to learn how to cook well, and I exercise and I do yoga, and I do all of that. But the healthcare, again, is a separate thing.

A little bit of a secret. A third of all the profit from most hospitals, particularly private proprietary hospitals, is selling medication. It's not doing those x-rays and all that. Those are actually pretty low margin. So as a spa, if you start jumping in to buying x-ray machines and ultra-sound, the only way it makes any sense is huge volumes. Very difficult to get in a spa, and that's why a lot of the medispas that I've talked to have difficulty when they really zone it down. Are they really making money? They have to be honest with themselves, they're not.

We put in an anti-aging center at Bumrungrad, called Vita-Life, about 12 years ago, one of the first moves. And if we didn't sell nutraceuticals, it wouldn't make a dime. All of our profit was in selling nutraceuticals. And so that portion of it became very important on the wellness side. Everything else we did, frankly, was a give-away.

And here it is. If you get into healthcare, you've got to deal with doctors. I remember sitting with my—how many doctors are in the room? Okay, we outnumber you, I'm good.

You got to deal with doctors. But one of the biggest investors in Bumrungrad was at a cocktail party once, and another investor from another country said, wow, getting into healthcare, that must have been great. Would you do it again? He goes, no. And he said, well, you make a lot of money. And then he goes, no, if I knew it involved doctors and patients, I never would have invested anything. It is the biggest headache industry there is.

And I love doctors, and doctors are great, but they are an unusual quantity to deal with. They bring a very high level of education and a lot of expectation. A little bit about doctors and wellness; not all doctors support the idea of alternative therapies and wellness. When we opened that Vita-Life Center, about 12, 13 years ago, we couldn't call it an anti-aging clinic because we had a licensure problem and a regulatory problem, and our doctors didn't believe in the word anti-aging.

So we put it across the street. We had to create a separate company. We actually had to put them across the street and kind of make it separate because the doctors were not happy. Why don't we introduce them to TCM? We had a Chi-Cong doctor come from China, and his idea was to give some comfort to cardiac and cancer patients, and there was music and things involved. And I remember my chief of cardiac surgery coming in, sitting down in my office, closing the door, and saying, get that guy out of my office. Keep him away from my patients. He goes, we're trying the best we can to prove that Thailand has Western medicine, and we've got a guy around, doing gongs. And he goes, we've got to get this guy out.

And so I'm thinking, what do I do, go with the Chi-Cong, or the guy that cuts \$7 million of profit into my hospital every year? Hmm, let me think. So the doctors are a problem. If you do need doctors, if you want to start doing esthetics, getting doctors in your spa is not that easy. People don't fly five or ten-thousand miles for the B-Team. Part of the problem is is that doctors are urban animals. The top doctors in any location are in the big cities with the big universities. They aren't in Goa, they aren't in Phuket, they aren't in the Himalayas. And I'm saying that in broad generalization. I'm sure all of you are great doctors even if you're in those places. But finding the top doctors that are willing to work in a spa location that's primarily outside of the urban area is pretty tricky.

And then, just simple practicality. Is it practical to combine the two? And I just have one message on this. This is actually a discharge summary for a facelift patient, instructions you get out of New York, actually. Okay. No lifting, no bending, no - - . There goes yoga. Limit sweating in sutures, there goes aerobics. Keeping sutures dry, no showers, no bath, beach is not a big plus. No sun, no exposure to sun because of antibiotics. There goes the sun, sand, surgery, and scalpel myth. No sunscreens or body oils, there went the massage.

It's not exactly when people have liposuction or this, this is not conducive to a holiday in paradise. This idea of trying to combine the two is a myth, I'm telling you. We had a call center. I went and asked. We took 1,200 emails a day from people coming for medical tourism. And I went and asked them at a party once. I said, guys, how often do you get a question, once you've finished arranging your medical care, where they ask you where the nearest beach is? Or how far are you from the water. And they looked at me; we don't get that question. It is one of the myths of medical tourism.

Also the question of time. If you're doing lifestyle products, nutraceuticals, anti-aging, which are really good things to look at, this is a lifestyle product. You've got to go every week, every month, you've got to have adjustments. You can't do this in a seven-day spa stay. It just doesn't fit. We tried to cram that in with Chiva-Som, and others, and we found that, yeah, they're interested, but this is something they have to do at home. But it is a possibility for people who are in urban day-spas. And I'll talk about that when we wrap stuff up.

And without too much detail, there's a different management style. Our toolset is different. I know nothing about spas. I'm a spa junkie; I'm on the business hand of two hands in oil, I'm loving that. But trying to create that ambiance is not what hospital CEOs do. Similarly, spa managers, trying to get in the medical business, you're in for a fairly significant learning curve.

Okay. No wedding. But that doesn't mean we can't live together. It doesn't mean that there's not opportunities and that we can't shack up and make this work in another way. And what this really means, it's more about partnership than integration, more than trying to combine the two, let's sort of work side to side. You're not going to really want to buy

all this medical equipment. The hospitals are more than happy to do that. Look at partnership options. Let them monitor the quality of your physicians as well, because physician quality, it can be questionable in some of these areas.

This is a good option also for urban day-spas. And we see a lot of these going on. We're to combine the nutraceuticals, the anti-aging therapies, the things that are lifestyle, and do them in the urban setting where you've got access to the doctors, you've got access to co-branding opportunities, but pick your partner carefully, with doctors and hospitals, to make sure they're philosophically aligned with what you're trying to do.

And finally, for the destination spa, esthetic is still the sweet spot. And that means dermatology, esthetic treatments, it makes sense, it does work. There are some issues, and if you do dermabrasion on the patient, they shouldn't be in the sun. But if you select the procedures it can work. And joint ventures with the doc; let them pay for the equipment. Trust me, they'll do it. And that way you don't have to worry about that portion of it.

So again, thank you very much. I appreciate the opportunity to do this. [Applause]. One of the best things about being here is that now that I've done this talk and I've been at the spa and wellness convention, and the congress, now every massage I have in the year 2014 is now tax-deductible. And it's now considered research. So I'll make a note on that. I do appreciate that opportunity, so thank you.

[END RECORDING]