

## Industry Analysis

### **The Outlook of Medical Tourism Post-COVID-19 for Malaysia**

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To fully comprehend the post-pandemic future, the industry must first define “post-pandemic.” There have been numerous arguments on vaccine efficacy and herd immunity in recent years. Even though we started with an 80 percent vaccinated population over 18, there has yet to be an agreed-upon herd immunity threshold. As we agreed last year, herd immunity is necessary for reviving the tourism sector. There were multiple failed attempts to revive the sector, with many blaming the industry for the increase in cases, although the tourism industry is not responsible for the majority of the cases. Medical tourism had become the main sub-industry in the tourism sector before the pandemic, with a projected growth rate of more than 100 percent, from USD45 billion in 2020 to USD150 billion in 2030. Medical tourism has developed into a significant industry for Malaysia due to strong public-private partnerships, particularly when the strategic branding proposition considers the number of medical facilities in Malaysia, serving as another unique selling point for the tourism industry. To assert that healthcare tourism will increase after the pandemic, we must examine the products we can offer during this trying period.

When discussing healthcare tourism, it is necessary to go back to the fundamentals of why people travel: for invasive (medical, dental, and surgical care), diagnostic (blood screening, bone density testing, heart stress testing, and electrocardiograms), and wellness reasons (nutrition, stress reduction, weight loss, anti-aging). Additionally, the country offers traditional massages such as Ayurveda, acupuncture, Bali, Thai, reflexology, pregnancy, sports, and many more. With all of these available in Malaysia, we can target the end-user/primary user (patient) and the secondary user (accompany person). According to news reports, some countries currently permit tourists to enter for medical and wellness purposes, but only under tight conditions. Moreover, there is a discussion on the

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growth of telemedicine programs that provide online pre-and post-travel diagnosis and consultation to keep in touch with prospective clients. International destinations such as Dubai, Abu Dhabi, and Doha, which rely on international arrivals and connecting flights, have implemented various programs to assist healthcare travelers with everything from arranging their trip to entering the country, quarantining, and staying. It demonstrates that healthcare tourism can be initiated if stringent rules are followed.

By 2021, The European Travel Commission forecasted that only 18 percent of international tourist arrivals would be than in the pre-covid period. Using this data to forecast the future, we can project that approximately 63 million tourists will visit Asia, contributing USD78 billion in tourism receipts. However, the projection may be premature due to the adverse situation in Malaysia, Thailand, Singapore, Japan, and India, which account for most inbound tourism in Asia. Again, it depends on how the vaccination program is implemented since Malaysia has already vaccinated 25 percent of the population. We can see that over 50 nations have already lifted their travel bans for fully vaccinated travelers. Thailand has already permitted international travelers to visit Phuket under the new “Phuket Sandbox” scheme, which allows them to visit Phuket for 14 days and then extend their journey to other country regions. We can replicate the concept in Penang and Langkawi, with travellers visiting Penang for healthcare tourism and Langkawi for wellness and rehabilitation. Penang, for example, has the connectivity, and with good coordination with the international airlines that serve the island, Penang can begin accepting travelers under the “medical and wellness” scheme.

On the other hand, Langkawi boasts sandy beaches and a “lush green forest” ideal for accompanying visitors to engage in leisure and outdoor activities. The plan must be implemented before Malaysia reaches the 50% fully vaccinated threshold. Most importantly, relevant agencies ranging from government to local councils, community leaders, non-governmental organizations (NGOs), and industry associations representing medical, retail, tourism and hospitality, trade shows, and transportation must plan a comprehensive program for domestic medical tourism. The program’s objective must ensure that the flight, medical and wellness experience, and shopping are all completed seamlessly.

In general, hospitals and medical tourism providers suffer the same difficulties as other hospitality and tourism providers in forecasting revenues due to the volatility of the situation. In today’s environment, businesses must be cost-conscious, and cost-cutting measures are the only option to maintain business operations. Since the operating costs of hospitals and medical facilities are exceptionally high, forecasting sales income is critical for the business to plan for operational costs, asset acquisition, and work schedule. Additionally, hospitals cannot deploy services or treatment but can do so through the same branches or parent company, posing a severe barrier for post-pandemic operations in hotspot locations. Moreover, they must rely on third-party service providers such as airlines, travel and tour operators, hotels, and transportation to bring in potential clients. Currently, hospitality and tourism players face significant challenges to stay afloat. As of now, more than 200 hotels have ceased operations, airlines have been grounded, travel and tour companies have been forced to dispose of fixed assets (i.e., vehicles, buildings, and office equipment), and theme park assets have undergone a significant overhaul.

The primary goal of medical tourism is to provide a variety of services not only to the primary user (patient) but also to secondary users (accompanying person), who are just as important as primary users. It is projected that medical tourism will encounter a problem in designing packages that appeal to secondary users in the post-pandemic due to the shift in travel motivation. The variables for targeting and segmentation used in the projection are currently lacking, although there is a strong indication that millennials will dominate post-pandemic travel decisions. Numerous countries remain to prioritize baby boomers as their primary travel segment, and it is mathematically impossible to derive equations and regress conceivable outcomes. Also, there is no definitive indication or timeframe for the tourist industry in Malaysia to return to pre-COVID levels soon, making it difficult for medical tourism to spearhead this initiative.

Another critical point to consider is the possibility that COVID-19 will remain with us for a more extended period than anticipated. If this is the case, can medical tourism provide facilities for COVID-19 treatment, as they will be unable to rely on a public hospital in the event of an issue like this? It is essential to realize that patients in medical tourism typically stay with their accompanying group; therefore, providing facilities available to the group segment is vital. Additionally, the private hospital must tailor the package to the average tourist stay of seven days in Malaysia. In the worst-case scenario, the average length of stay during a pandemic could be shortened due to safety concerns, affecting the total medical tourism package and, in turn, treatment and pricing structures.

Finally, the most pressing matter is to meet the needs of existing clients, both individual and corporate, who are experiencing cash shortages due to COVID-19. External economic variables such as currency exchange rates are crucial for this segment since they significantly influence cross-border travel planning. Malaysia appears favorable due to the weaker Ringgit performance, but if we achieve herd immunity by flattening the curve and restoring interstate movement, the economy may recover, almost certainly affecting the currency exchange rate.

There should be a concerted effort to revive medical tourism, as this segment should catalyze the tourism sector's recovery following the pandemic. The crucial point is to create a package that appeals to post-pandemic travel behavior. There is no guarantee that medical tourism will continue to thrive at its pre-COVID19 levels, and much will depend on the strength of the support system and intermediaries. In the past, medical tourism thrived due to the role of intermediaries such as online travel businesses, brokers, travel agents, sales representatives, insurance companies, and tourism organizations. Other governments have also aggressively promoted medical tourism by partnering with industry giants such as Turkish Airlines, which offers a 50% flight discount to people visiting the country for healthcare. Another example is India's medical visa program, which allows international patients to remain for up to 60 days and make extended visits up to three times a year.

The essential step is creating an attractive package that is affordable to a broader segment of the market. Thus far, the medical package has covered health screening, treatment, accommodation, transportation, and recreational activities. This package is appealing, but with so many people affected by COVID-19, it is the right time to expand to middle-income groups, particularly those in Europe and the Middle East, who can afford the products due to currency conversion rates. The government might also support this program by granting medical visas to patients from Indonesia, Thailand, India, the Philippines, Australia, and the United Kingdom, who can use their medical tourism vacation to see friends and family who work in Malaysia. We require information and statistics in order to organize promotional campaigns and partnerships. According to internet sources, only 3.4 percent of the expenditure was dedicated to medical expenses during the vacation to Malaysia, with the remainder going for shopping and lodging. If this data is taken as a barometer, significant efforts will need to be made to improve medical tourists' spending patterns. The medical tourism ecosystem players must share information to obtain an accurate overview of medical tourism in Malaysia. Hypothetically, senior citizens and pensioners will be one of the prospects during the post-pandemic period, as they may have the savings and pensions necessary for health screening and treatment and the ability to spend more time abroad for a peaceful vacation. The ability to obtain accurate data from service providers will assist the government and industry players develop strategies that specifically address the need for regional travel in 2022–2023 and international travel in 2024.

