

UNCOVERING THE HIDDEN DEMAND BEHIND HEALTH TOURISM

What outbound medical travel tells us about the industry's future

Health tourism is a relatively nascent area for hospitality research. Dr. Jorge Ridderstaat, Associate Professor at UCF Rosen College of Hospitality Management suggests that we should learn more about it. His research identifies key demand drivers and helps uncover a largely unexplored market potential. It also offers some surprises. Critically, it serves as a call to action for industry leaders to embrace the opportunities that lie ahead.

At the intersection of healthcare and hospitality lies a rapidly growing industry: health tourism. Every year, thousands of Americans look beyond their borders for medical procedures such as dental surgery, cosmetic enhancements, and life-saving treatments, all while seeking more affordable options without compromising quality. The concept is simple: travel abroad for care and potentially save thousands of dollars, perhaps recuperating in a sun-soaked paradise.

This growing phenomenon is the focus of groundbreaking research by Dr. Jorge Ridderstaat at UCF Rosen College of Hospitality Management. His recent work offers fresh insights into the unmet or unrecorded demand and price behaviors associated with U.S. outbound health tourism spending. It has also uncovered some surprises. Through an in-depth analysis of U.S. outbound health tourism spending, Dr. Ridderstaat's research provides a lens through which we can better understand the dynamics that are driving—and in some cases, hindering—the growth of this tract within hospitality.

HIDDEN DEMAND

Little is known about exactly how many people in the U.S. travel abroad for health tourism. Dr. Ridderstaat refers to this unmet or unrecorded demand in the health tourism market as a 'hidden demand'. It is 'hidden' because of various factors, such as untracked patient motivations, undocumented spending behaviors, and the absence of standardized data on outbound health tourists. For example, many U.S. citizens seeking treatment abroad do so without formally reporting it or as part of undocumented personal travel plans, making it difficult to capture the full extent of demand. This hidden demand reflects a gap in the data and is often estimated through indirect metrics, such as spending patterns on health services across popular health tourism destinations. Many U.S. travelers who might not officially identify as health tourists are indeed part of this demand. By combining travel with medical services or wellness activities, these travelers make health tourism a fluid, multi-purpose segment.

By analyzing these indirect measures, like fluctuations in spending aligned



with healthcare needs and cost-saving motivations, Dr. Ridderstaat helps reveal the latent or 'hidden' interest in health tourism, which may not appear in conventional tourism or healthcare statistics. Importantly, this hidden demand represents an exciting growth opportunity for healthcare providers and the hospitality sector.

OPPORTUNITY AT THE INTERSECTION

Globally, health tourism has grown into a multibillion-dollar industry. The U.S. is not immune to this trend. As healthcare costs rise domestically, more Americans are looking abroad for affordable, quality medical care—



Health tourism is a rapidly growing industry.

DR. RIDDERSTAAT'S RESEARCH ILLUMINATES HEALTH TOURISM AS A DYNAMIC MARKET SHAPED AS MUCH BY ECONOMICS AS BY HEALTHCARE NEEDS.

example, it shows how much more or less a U.S. tourist can buy there over time. By capturing these shifts, Dr. Ridderstaat's study provides a clearer picture of economic forces shaping health tourism trends—revealing, in essence, how the flow of health tourism dollars responds to both exchange rates and local price changes. This approach not only sidesteps the difficulty of tracking individual healthcare costs abroad but also grounds the findings in tangible economic indicators that fluctuate with global market conditions.

PRICE SENSITIVITY

One of the most significant takeaways from Dr. Ridderstaat's research is the role of pricing in driving health tourism. In the U.S., where healthcare costs can be prohibitively high, price is a significant factor for those considering treatment abroad. The study delves deep into the price elasticity of demand for health services, which means how sensitive consumers are to changes in price.

Through statistical modeling, Dr. Ridderstaat found that elective procedures—think:

cosmetic surgeries and dental implants—are highly price-sensitive. Even small increases in cost can significantly reduce demand. Conversely, modest price reductions or special packages can lead to substantial growth in consumer interest. For lower-income groups, in particular, the decision to travel for medical care hinges almost entirely on cost. These individuals often delay or forgo procedures in the U.S. due to the expense, which presents a critical opportunity for destinations offering affordable care abroad.

TRENDS, POLICY IMPLICATIONS, AND INDUSTRY INSIGHTS

Dr. Ridderstaat's research identifies current trends and offers actionable insights for policy-makers and industry leaders. The study suggests that governments in key medical tourism destinations could stimulate demand by offering tax incentives or subsidies during low-demand periods. These measures could help attract more patients from the U.S. during off-peak times, balancing out the natural ebb and flow of the market.

Dr. Ridderstaat's estimate that between 1.1% and 1.5% of U.S. travelers are health tourists provides a more accurate picture of this market segment, offering valuable information to governments aiming to cater to health tourists.

For healthcare providers, Dr. Ridderstaat's research points to the strategic benefits of aligning pricing models with real exchange rates. By understanding how affordability drives demand, providers in popular health tourism destinations can more effectively position themselves to attract U.S. travelers, particularly during times of economic downturn or exchange rate shifts. This insight could help create a more resilient health tourism industry, one attuned to both healthcare and economic demands.

Moreover, U.S. insurance companies could explore partnerships with foreign healthcare providers, creating cross-border healthcare networks. Such collaborations could lower patients' out-of-pocket expenses while increasing access to high-quality care. By facilitating these international healthcare partnerships, insurance companies could make health tourism a more viable option for their clients, expanding the market further.

HEALTH TOURISM'S FUTURE

Dr. Ridderstaat's research illuminates health tourism as a dynamic market shaped as much by economics as by healthcare needs. Through his analysis of hidden demand and real exchange rates, he challenges the notion that health tourism is solely driven by medical necessity, showing instead how affordability and economic timing create powerful incentives for U.S. travelers.

In a landscape where healthcare costs continue to climb, understanding these hidden factors may be crucial for policy-makers and providers alike. Dr. Ridderstaat's work not only enhances our understanding of health tourism but also highlights Rosen College's commitment to advancing research that intersects hospitality, healthcare, and economics. This commitment continues to place Rosen College at the forefront of hospitality innovation.

Critically, Dr. Ridderstaat's research is a testament to the power of data-driven insights in unlocking health tourism's potential. It also serves as a call to action for industry leaders to embrace the opportunities that lie ahead.

RESEARCHERS IN FOCUS

RESEARCH OBJECTIVES

Dr. Jorge Ridderstaat researches the hidden potential within the health tourism sector and identifies key drivers of demand. The study applies the dynamic time warping approach to investigate outbound health spending with demand and prices. The findings could help policy-makers in better managing the health tourism industry.

REFERENCES

Ridderstaat, J. (2023). Measuring hidden demand and price behavior from U.S. outbound health tourism spending. *Tourism Economics*, 29(3), 759–787. doi.org/10.1177/13548166211067925

PERSONAL RESPONSE

What research outcomes surprised you, and where do you see urgent opportunities for further research in health tourism?

// Economic factors, such as demand and price elasticity, play a crucial role in shaping the future of health tourism. As healthcare costs rise domestically, more Americans are looking abroad for affordable, quality medical care—fueling the growth of health tourism. //

Dr. Jorge Ridderstaat



Jorge Ridderstaat is an Associate Professor at UCF Rosen College of Hospitality Management, University of Central Florida, USA. His research agenda focuses primarily on the dynamics in tourism and hospitality, where he specializes in data decomposition and analysis using econometric techniques. Dr. Ridderstaat received his doctorate from the Free University of Amsterdam (the Netherlands), where his dissertation focused on the determinants of tourism demand dynamics in a small island destination. He is the author of two books and many academic publications (refereed journal articles, book chapters, encyclopaedia entries, and conference papers).

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