

Health Tourism Trends and Development Potential of Northwestern Croatia

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Abstract

Health tourism is one of the fastest-growing tourist branches in the world. Population aging, health awareness, globalization, sport and recreation are fundamental reasons for the positive trends of health tourism. Croatian health tourism is at the early stages of development and the implementation of specific business models, content, and strategies can become competitive if appropriately managed. The topic of this research paper is to determine and analyze the development potential of health tourism in Northwestern Croatia, current tourism trends, as well as the financial results of the health-tourism industry. The research aims to identify and analyze the offer and infrastructure of northwestern Croatia as well as the potential essential for the successful placement of the health tourism product on the market. The paper aims to identify the current situation of health tourism products in northwestern Croatia, the success of resource valorization and the status of development projects that should qualify Croatia as a competitive health-tourism destination. The methods used in this paper are historical, desk research, analysis, synthesis, and deduction. The contribution of the research paper is manifested through the methods used and the obtained results which can be beneficiary to practitioners and scientists dealing with the development of tourism. The findings can be a source of ideas and guidelines for further development, especially in the continental and northwestern Croatia.

Keywords: development potential, health tourism, medical tourism, northwestern Croatia, tourism, wellness

1. Introduction

Health tourism is one of the fastest-growing tourist branches in the world. Population aging, health awareness, globalization, and sport and recreation are fundamental reasons for the positive trends of health tourism (Peršić, Vlastic, 2016). Many countries have started to develop concrete infrastructure development strategies as well as the supply of primary and secondary content to valorize the available natural resources adequately. While looking at the European market, countries with a leading health and tourism offer are the UK, Germany, France, and Spain (Šitum, 2017). The reasons for leading positions are quality infrastructure, favorable prices, market-oriented business model, professionally educated personnel, and the right proportion of public and private health institutions that provide an apparent diversification of the offer.

The trend of health tourism growth is not an accompanying phenomenon, but a consequence of a sedentary way of life filled with stress, lack of free time, and a deficit of physical activity.

Croatia is not yet considered a competitive health destination. The reasons are the underdeveloped and diversified offer of content, insufficient financial investments in infrastructure and trends of the mass exodus of qualified medical personnel. On the other hand, Croatia possesses natural benefits such as favorable climate, geographical location, and natural sources of the healing factors. The major problems are found in the ownership structure as well as the business model of health facilities which is unsustainable in the long term. Furthermore, neighboring countries such as Slovenia and Hungary, owing to their offer, affordable prices and reliable infrastructure, represent fair competition for Croatia.

Croatia has the potential for growth and development as well as successful positioning in a competitive market. In regards to that the Health Tourism Development Action Plan, which should enable Croatia to monitor modern trends as well as the realization of existing natural and artificial potential, has been developed.

2. Literature review

Health tourism is a type of tourism where natural healing factors, physical medicine procedures, and programmed physical activities are used under the supervision of professional personnel, with the aim of preserving and improving health, raising the quality of life as well as raising motivation, satisfaction with oneself and achieving inner prosperity (Institute for Tourism, 2014). It is also one of the oldest specific forms of tourism. It is considered a complex tourist product that contains specialized primary and secondary facilities within its offer. The critical starting point of the definition of health tourism is the causality of health and tourism. According to Alfier, health is one of the oldest and strongest motifs of tourist trends. They mainly relate to preventive, rehabilitation, and re-convalescence, as well as curative (Hitrec, 1996). Health tourism is considered to be the border area of medicine and tourism, namely the common area of health and tourism in which the two economic branches achieve a certain symbiosis indicating dichotomy.

The resource base of health tourism is natural healing factors. They represent natural resources with medicinal characteristics that favorably affect the improvement and maintenance of health as well as the prevention and treatment of certain diseases. (Hall, 2011) The type of treatment and selection of therapeutic factors depends on the needs and desires of the service user and forms a concrete offer of primary and secondary content based on them. Due to more natural diversification of supply, health tourism is divided into three sub-groups (Institute for Tourism, 2014): wellness-tourism, health tourism, and medical tourism.

Wellness-tourism is a subspecies of health tourism that focuses on achieving physical and spiritual balance. There are two types of *wellness*: medical and holistic. Medical *wellness* implements organized and planned programs of health-preventive and curative characteristics. On the other hand, holistic *wellness* implies programs of opposite characteristics. The holistic approach implies the examination of the psychological, moral, spiritual, and intellectual characteristics of a person while using unconventional methods (Popić, 2011).

Health tourism implies the planned and professional use of therapeutic factors as well as physical therapy with the fundamental aim of improving and preserving health. The focus is

placed on raising the living standards of the service user. Programs are formed individually for each person concerning their diagnosis, mental and physical abilities as well as the ultimate goals of therapy (Institute for Tourism, 2014).

Medical tourism, at its core, implies the realization of preventive health care. Programs consist of partial surgical, dental, cosmetic procedures, including secondary contents as well as accompanying contents of recovery and rehabilitation after surgery (Lehman, Kurečić 2015).

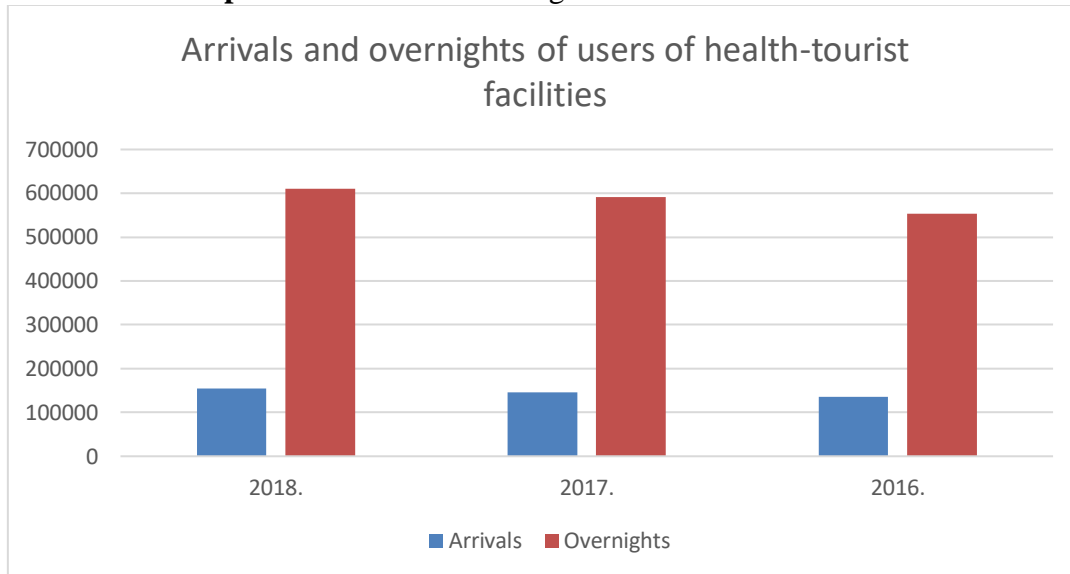
3. Current trends in health tourism

Health tourism is one of the fastest-growing tourist branches. The value of health tourism is estimated at \$100,000,000,000, with the estimated growth tendency of 25% annually to 2025. Year. Furthermore, a total of 14 million tourists travel on an annual basis outside their domicile in the leading health destination due to the consumption of health tourism content (UNWTO, 2016). Key growth factors are found in the development of modern technology, globalization, political-social situation, demographic trends, and the growth of nominal income, which led to a rise in consumption. Tourist trips have evolved from a luxury to primary goods that consume all the broader circle of people. The primary constructive factors of receptive states are private and public investments in infrastructure as well as the health system, the existence of an international certificate of quality standards, quality of service, favorable prices, clearly defined marketing strategy and short standby time. A new tourist product that is adapted to the needs of tourists represents individualization and personalizing the experience. (Gržinić, Bevanda, 2014) The factors mentioned above are the basis of building a fair offer that will attract a large number of tourists in the destination. Based on these, demand is formed, and tourism trends are shaped in the long term.

Citizens of developed countries opt for treatment in developing countries for more favorable prices for health treatments and services. Medical procedures in these countries are cheaper, from 30% to 85% (Tigu, 2017). The liberalization and development of low-risk airlines as well as medical certificates of quality have created a competitive market and enabled tourists a quality selection of packages. The factor with the most significant impact on the demand development of this market is generally a negative demographic trend. The human population is getting older. The primary target group of tourists is between 25 and 65 years of age, furthermore, up to 2025. The total number of inhabitants falling into the stated target group will stagnate, while after 2025th, the total share starts to decline. Consequently, this will lead to an increase in the proportion of residents who fall into the target group above 65 years of age. Tourists of older age travel to 50% less but consequently opt for more distant tourist destinations, spend more financial resources, and their vacations generally last longer (Tigu, 2017).

3.1 Growing trend indicators of health tourism in the Republic of Croatia

According to the National Bureau of Statistics, 2017, a total of 1.2 million tourists were directly or indirectly participants of health tourism, or used services in the form of primary and secondary content. When data is analyzed for the period of 2015th To 2017th, it is evident the tendency of growth of arrivals and nights of guests in individual health facilities.

Graph 1. Arrivals and overnights of users of health-tourist

Source: Tourism in figures 2018. Ministry of Tourism of the Republic of Croatia. (https://htz.hr/sites/default/files/2019-06/HTZ%20TUB%20HR_%202018_0.pdf)

Croatia counts, in 2015th a total of 123,000 arrivals and 523,000 nights, while in 2017th a total of 146,000 arrivals and 591,000 nights were achieved through positive growth trends. This trend continued in 2018 when 155,000 arrivals and 610,000 nights were achieved. It is necessary to emphasize that this is about users of the primary content of the health-tourism offer.

Although the trend of growth is slow, the fact is that health tourism contains the excellent potential for growth and development. The introduction of quality standards, the recovery of infrastructure, and the maximal valorization of available medicinal factors will achieve stable long-term growth. Seeing the total number of arrivals and overnight stays, it is evident that the majority share of health-tourism guests is foreign citizens. During 2017th, a total of 45,000 arrivals of domestic guests were recorded, while foreign tourists were in total of 101,000. On the other hand, a total of 178,000 nights of domestic guests were recorded, while foreign tourists achieved a total of 414,000 nights. The above trend contains both positive and negative qualities. The positive fact is that Croatia attracts a relatively large number of foreign tourists to its health facilities and thus gradually develops into an international tourist destination. A negative indicator is a low number of domestic guests versus foreign. Foreign tourists make up a total of 69% of health-tourist arrivals (DZS, 2018). The reasons for this ratio may be the low financial revenues of the indigenous population that condition the low standard or the Croats do not follow the modern trends of a healthy lifestyle.

3.2 Business structure

Most of the health-tourism facilities in Croatia are not market-oriented, but more than half of the resources are directed to the contents financed through the Croatian Health Insurance Fund (CHIF). Objects that mainly or entirely focus their business on content through CHIF, operate at a loss, while business-oriented and demand-driven facilities deal with profit.

Table 1. Financial indicators of health tourism in Thermal springs

Thermal springs	Varazdinske Toplice	Krapinske Toplice	Special hospital Naftalan	Stubicke Toplice	Terme Tuhelj
Overnights (2017)	206,834	154,750	122,164	68,941	119,643
Stationary guests (CHIF)	169,990	129,325	112,811	51,219	0
Comercial Guests	36,844	25,425	9,353	17,722	46,302
Revenue CHIF) (EUR)	86,898,932	97,076,012	23,984,961	18,487,077	0
Market revenue (KN)	21,872,229	23,515,305	9,680,184	6,530,951	59,502,876
Total Revenue (KN)	108,771,161	120,591,317	33,665,145	25,018,028	59,502,876
Market share revenue	20%	19%	29%	26%	100%

Source: Catalogue of health tourism projects, 2018.

(<https://zdravlje.gov.hr/UserDocsImages/dokumenti/Planovi,%20izviješća%20i%20odluke/Katalog%20projekata%20zdravstvenog%20turizma.pdf>)

The thermal springs and specialized hospitals have achieved 672,332 nights in total during 2017th, representing an increase of 4% in total compared to 2016. Of the total number of nights, the 208,987 belongs to the category of commercial nights of domestic and foreign guests, or 31% concerning the number of nights achieved by co-financing through CHIF, which amounts to 463,345 and 69% respectively. The most substantial total revenues were achieved by Thermal springs Krapinske Toplice, a total of 120,591,317.00 kunas. Of the revenues mentioned above, only 19% were achieved by market share, representing an increase of 1% in total compared to 2016th. On the other hand, the Thermal springs Terme Tuhelj, which are entirely commercially oriented, have achieved 59,502,876.00 kunas of revenues, i.e., 5,460,600.00 kunas NET profit.

Thermal springs Varazdinske Toplice achieved a total income of 108,771,161.00 kunas, i.e., 3,370,613.00 NET profit (Ministry of Health RH, 2018). Of all the analyzed special hospitals, Terme Tuhelj generally operates best, precisely because their services and facilities are market-oriented. The Tuhelj thermal spas have generally achieved fewer revenues from their competitors, but on the other hand, they have achieved the most considerable NET profit, which is essentially the most important business indicator. Contracts concluded with CHIF provide many facilities with major problems and difficulties in doing business. The CHIF funds do not

cover the actual costs of complete health care, including medicines, consumables medical supplies, groceries, staff, etc. (SB Varazdinske Toplice, 2017).

4. Development projects of health tourism in northwestern Croatia

While considering the issue of infrastructure, the formation of content and education and employment of personnel, in the planning and implementation phase, specific projects should raise the level of quality of health tourism in northwestern Croatia.

Table 2. Health Tourism Projects

Thermal springs/ Special hospitals	Project Name	The value of investment (kn)	Total investment value (kn)
Varazdinske Toplice	Construction of a rehabilitation center	82,917,089.00	182,120,954.00
	Energy restoration of Minerva	58,783,640.00	
	Energy Renovation of accommodation	33,783,316.00	
	Energy Renovation of Health resorts	6,636,909.00	
Krapinske Toplice	Reconstruction and equipping of the object	20,670,000.00	168,070,000.00
	Construction of a new hospital facility	130,000,000.00	
	Energy renovation of the hospital	17,400,000.00	
Special Hospital Naftalan	Naftalan 2	42,834,188.00	42,834,188.00
Stubicke Toplice	Construction of outdoor swimming pools and hotels	150,000,000.00	159.5 million
	Construction of a hospital restaurant	2,000,000.00	
	Construction of greenhouses	7,500,000.00	

Source: Catalogue of health tourism projects; 2018;
(<https://zdravlje.gov.hr/UserDocsImages/dokumenti/Planovi,%20izviješća%20i%20odluke/Katalog%20projekata%20zdravstvenog%20turizma.pdf>)

4.1 Special Hospital Varazdinske Toplice

The Special hospital Varazdinske Toplice has several projects in implementation that should build the basis for future infrastructure development and content offerings.

The construction of the rehabilitation center refers explicitly to the center for people with diseases and spinal defects. The project involves fully equipping the facility with modern medical and accompanying equipment. The construction of the rehabilitation center should allow Varazdinske Toplice to provide a more significant influx of patients and allow foreign and domestic guests rehabilitation in modern infrastructure.

The energy renovation of the accommodation and healing capacities of the long-term spa will allow for more considerable savings in financial resources that can be further invested in the development of new projects and health facilities (Ministry of Health RH, 2018).

4.2 Special Hospital Krapinske Toplice

The construction of the new hospital facility and the garage is the most substantial investment of Krapinskih Toplice. It is planned to build an object with additional accommodation capacities for medical rehabilitation, with a *wellness* center with hydrotherapy and a polyclinic, as well as a scientific-teaching center. The project will complement the existing offer, raise the quality of the service, and exploit the potentials of the offered content. Furthermore, the construction of the garage will further relieve the space of the current parking lot, which will be transformed into a park with accompanying facilities with subsequent projects.

4.3 Special Hospital Naftalan

The project of special Hospital Naftalan implies the construction of a completely new complex with indoor and outdoor pools, hospital kitchens, restaurants, kinesitherapy halls, and polyvalent halls. The process of realization of the project is underway and should be completed in mid 2019th. The negative side of the project is the fact that it is not currently in the plan to construct additional accommodation capacities that would possibly be needed taking into account the investment that will potentially attract a higher number of domestic and foreign guests (Ministry of Health, CROATIA, 2018).

4.4 Special Hospital Stubicke Toplice

The construction of outdoor pools and hotel accommodation is the largest project in Stubicke Toplice. The project includes the decoration of outdoor pools following modern technical solutions for swimming pools and all supporting facilities. Furthermore, as part of the project is the construction of a hotel facility with 40 beds. The purpose of the project is to raise the competitiveness of the hospital to attract new guests. The hotel facility meets the standards of 4 stars. The Antonina building is a protected cultural building where the laundry room and the hospital archives are located. The objective of the project is to rebuild and protect the object from decay. Also, the goal is to align the object with stringent construction standards. The thermal water coming out of the heating system and the pool discharges into the creek, through

the sewer. The aim of building a greenhouse is their construction on the land of hospitals for the production of fruits and vegetables for the needs of hospitals and other health institutions.

5. Potential investment projects

There are a total of 2 potential infrastructure projects for the development of the health-tourism offer. The Garden of Croatia – Hortus Croatiae in Draškovec and multifunctional thermal parks or Aquapark in Sveti Ivan Zelina.

5.1 Garden of Croatia – Hortus Croatiae

The project includes the construction of a holistic wellness center as well as a health resort. It focuses on producing green energy. The plan is the construction of a geothermal power plant with indoor and outdoor thermal health water parks with horticultural gardens, tropical gardens and the initiation of the process of greenhouse production of fruit and vegetables and fish farming. Furthermore, the construction of 240 accommodation units in villas and apartments, as well as a 9-hole golf course, the construction of SPA & MICE *Boutique* Hotel with 80 rooms categorization four stars with medical polyclinic as well as the construction of the bottling unit, Aqua Hortus Mineral Water, is financed. The total value of the project is 574,990,132.00 kuna, and the overall should be completed in 2023th. The project contains an enormous potential primarily due to the very scope of the geo-transport position.

Međimurska County is located close to the borders with Slovenia and Hungary, which increases the market for potential tourists. Excellent road infrastructure provides a fast and fluid flow of traffic that will allow a massive influx of guests to the facility. Due to the multiplier effect of tourism, small and medium-sized enterprises of different industries will benefit from the project. According to the Croatian Chamber of Commerce estimates, the project should generate 500 new jobs, which will further increase the employment rate of Međimurje county and raise the living standards of citizens in the long term.

5.2 Aquapark Sveti Ivan Zelina

The terrain area for the potential project is 60,773 m² and is fully owned by the city of Sveti Ivan Zelina. The spring of thermal water contains a flow rate of 20 liters per second, while the water temperature is 24 °c. The project is designed as a multifunctional destination with a focus on attractions based on educational, recreational, and health facilities. In addition to the existing space, there is a sports and recreation center with football fields and field hockey fields. The project will consist of 5 swimming pools with 2000 m² of water surface with water attractions, main buildings with accompanying pool facilities, commercial restaurants, and fitness centers. As for the swimming pool, there is a sizeable swimming-recreational swimming pool with an auditorium, an *aqua gym* swimming pool with a shallowed basins bar, two hot-*relax* Pools, a children's pool with a water castle and slides and a swimming pool with massive slides and an access tower.

Furthermore, the project includes a sunbathing area of 8500m², a restaurant with 80 internal and 500 outdoor seating, a hall for weddings and conferences with a capacity of 350 seats and four spiral slides. The value of the project is estimated at 45,000,000.00 kunas. Through the

realization of the project, the city of Sveti Ivan Zelina should become a new health-tourist destination (Croatian Chamber of Commerce, 2019).

6. Discussion

According to the data collected and analyzed, it is evident that Croatian health tourism is still in the early stages of development. Northwest Croatia contains a respectable number of therapeutic factors that are inadequately valued. The primary reason lays in the business orientation of most thermal objects. Most health-tourism facilities are not market-oriented, focusing mostly on the content co-financed by the Croatian Health Insurance Fund (CHIF). The specified business model causes a snow globe effect. Namely, the services co-financed through the CHIF cause financial losses to service providers for reasons that the funds allocated by the Ministry of Health do not fully cover the real costs of the treatments, which is why the facilities are forced to rest costs to settle from their budget.

Furthermore, by focusing solely on this type of service, due to the limitation of receptive capacities of the facilities, there is an inability to spread the offer based on market demand, allowing the objects to remain scarce for a relatively high number of potential beneficiaries. Consequently, primary and secondary contents are not sufficiently differentiated because they are not programmed for specific target groups. Most of the facilities manage to find a balance with the combination of market-oriented content in combination with the content financed through the CHIF. By combining these two business models, establishments manage the financial resources derived from market-oriented content to settle the remaining costs of content co-financed through the CHIF, thereby reducing the general profitability. It is questionable whether such a business model is sustainable in the long term and whether generally, more cost-effective health-tourism facilities are fully competitive and market-oriented following the principles of supply and demand trends.

The Ministry of Tourism must follow all the positive models of competition and successfully implement it in Croatian health tourism through the process of benchmarking. Based on the research, it is evident that particular objects do not follow modern health and tourism trends, although, according to statistics, health tourism in Croatia tends to grow, and all indicators are positive. The question arises as to how to improve the business results, encourage the privatization of facilities, and to implement a market-oriented business. Also, it is a question of how long objects will be able to cover the cost of content financed through CHIF from their budget. There is an increased number of new investments in existing facilities as well as the construction of brand new ones. There is also a growing number of construction of private buildings which in theory should increase the competitive power of Croatia as a health-tourist destination.

The best short-term solution is the development of a quality dialogue between the Ministry of Health, the Ministry of Tourism, and the provider of health-tourism services to address specific problems of the existing business model. A long-term solution is the formation of a new health tourism development strategy whose focus will be on private entrepreneurship, the development of quality standards and the development of differentiated content.

7. Conclusion

Croatian health tourism is still in the early stages of development, although it generally records solid business results. Focusing on north-western Croatia, health tourism trends are positive. Favorable prices of services, good geographic position, a large number of therapeutic factors are the reason for positive trends. Regardless of the positive trends of health tourism, certain problems slow down its growth and prevent Croatia from being placed as a competitive health-tourist destination. One of the fundamental problems is found in the fact that the business model of most health-tourism facilities is not market-oriented.

Consequently, the contents are not differentiated and are not formed according to adequate target groups' needs, resulting in unspecified content and inadequate promotional campaigns. The majority offer of health tourism consists of content co-financed by the CHIF. The costs of health providers offer largely exceed the funds received from the CHIF. Therefore, service providers are forced to rely on their budgets. Most of the facilities have implemented a dual business model. General facilities that are mostly or wholly market-oriented have recorded better business results and have consequently been able to invest more often in new content and infrastructure. It is necessary to implement competitive business models and benchmark with successful destinations to position Croatian health tourism better and to increase competitiveness. These models primarily imply business models, privatization of facilities, and implementation of a unique program of quality standards. Investment in health tourism does not take place regularly, while certain development projects should further strengthen the health-tourism offer. Projects imply renewal and expansion of existing facilities as well as the construction of new ones as the most significant new investment projects include: The Garden of Croatia – Hortus Croatiae and Aquapark Zelina. The total value of these projects is 650,000,000.00 kunas. It is a private investment project that will strengthen the competitive power of northwestern Croatia as a health-tourism destination. In general, northwestern Croatia contains potentials for the development of health tourism if adequate business models are implemented, and create a new quality and marketing strategy.

With the focus on private entrepreneurship and private investment, market-oriented business as well as the implementation of the quality standards system, there is the possibility of developing Croatia in a competitive health-tourism destination.

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