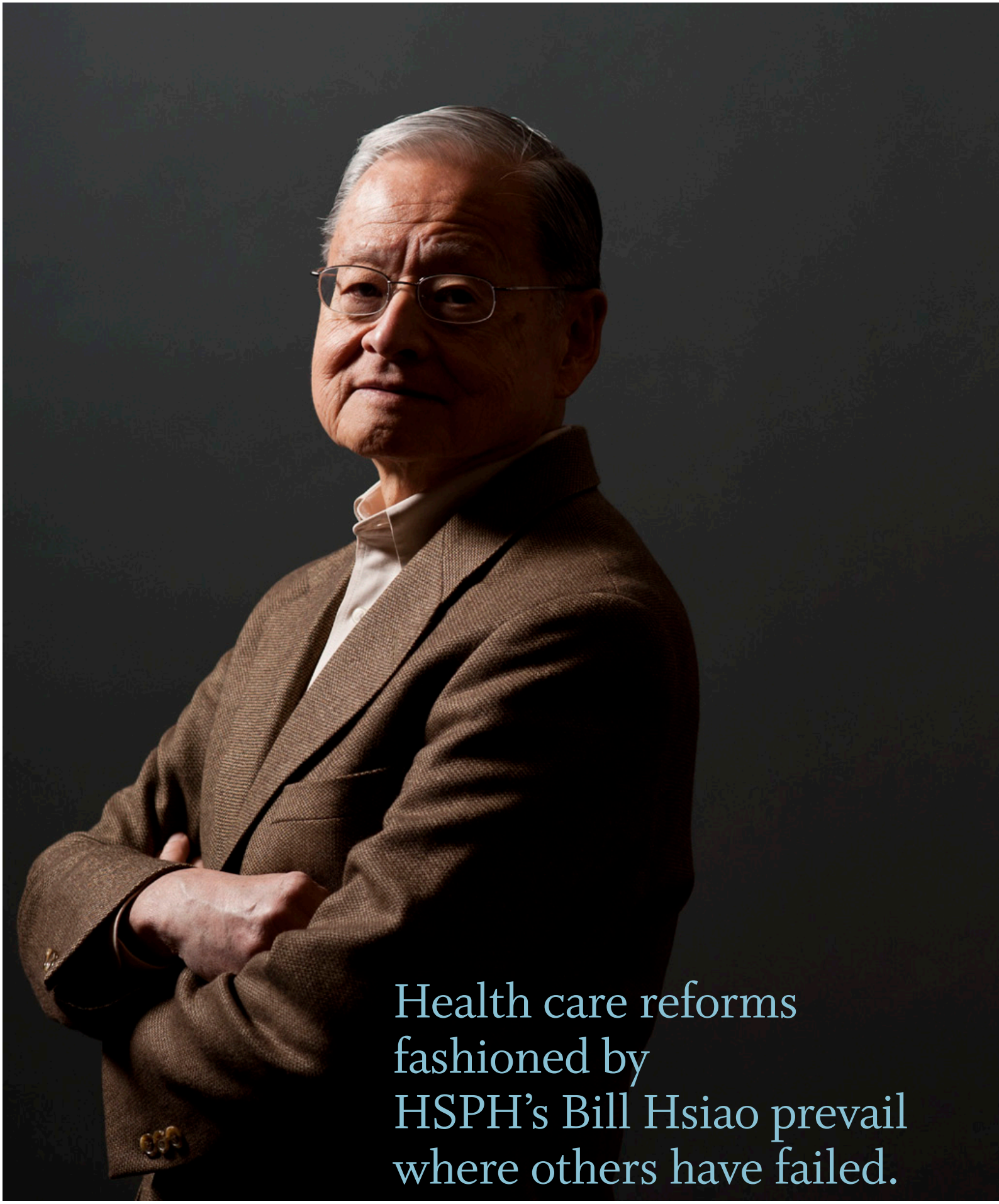

Health care reforms fashioned by HSPH's Bill Hsiao prevail where others have failed.

The Art of Getting Things Done

On January 19, 2011, HSPH professor William Hsiao walked onto the podium in the well of the Vermont State House. Before him sat both chambers of the state legislature. Above him stood hundreds of onlookers in the observation gallery, crammed shoulder to shoulder.

Looking professorial in a suit and dark tie, Hsiao warmed up the crowd by describing a recent conversation he'd had with a nameless insurance executive—insurance executives being among the more vocal dissenters to his policy prescriptions. "I asked him if he would spend $50 billion to manufacture a shuttle to reach the moon," said Hsiao. "The man said, 'Yes, if you are on it.'"

He then delivered a second punch line of sorts: a radical plan to create the first state-level single-payer health care system in the United States. The plan promised to save Vermont $500 million in the first year, create 3,800 new jobs, ensure health care coverage for every citizen in the state, and reduce the amount many citizens and businesses pay for health care.

It was a turning point in a fierce national debate, and many in the audience didn't like what they heard. Health insurers worried they could be shut out of Vermont if it adopted Hsiao's plan. Industry groups doubted the touted savings. Some politicians disagreed on ideological grounds.

But the biggest question was whether Hsiao would prevail on an issue where governors, even presidents, had failed.

LIKE A MASTER CHEF

If past performance could predict future events, then the smart money would be on Hsiao. Vermont is just the latest government to seek out the advice of the K. T. Li Professor of Economics at Harvard School of Public Health. The United States Congress, The World Bank, UNICEF, the World Health Organization, and the governments of China and at least half a dozen other countries have all folded Hsiao's work into their policies.

continued

Bill Hsiao's efforts have led to the creation of a single-payer health care system in Vermont—the first of its kind in the U.S.

Hsiao's true expertise lies in the ability to get things done where others cannot. "Politics tells you what political forces are at work, but it doesn't give you good solutions to technical problems. Economics gives a good foundation to analyze the problem and develop technical solutions, but it doesn't look at political viability," he says. "If you don't understand what is viable politically, you can design the most beautiful plan, but it won't even get a hearing."

in political will, stirs in an understanding of an organization's hierarchies, seasons it with on-the-ground details, and then mixes it all together with an honest and affable personality. In the end, Hsiao makes a dish that everyone, from patients to politicians, can swallow.

TAXIS, NOT LIMOUSINES

Hsiao, responsible for the design of a good portion of the world's health care financing, is often the first person in Beijing (many of whom he taught) one day, the next asking rural farmers (whom his work will affect) about their motorcycles—a clue to the local economy. Even though chauffeured cars are provided for his use both in the U.S. and abroad, he almost invariably takes taxis, because he enjoys talking with the drivers to find out local socioeconomic conditions.

Governments around the world offer him multimillion-dollar contracts to design their health care systems. He turns down most projects or passes them on to colleagues. He did accept $300,000 from the Vermont State Legislature to study the state's health care financing system, but paid himself $0 for his own efforts, channeling the money to grad students who worked on the project. When funding for his new Rural Mutual Health Care research program in China fell through several years ago, he took out a $300,000 mortgage on his home in Cambridge, Massachusetts, to make sure the work could continue.

If the single-payer plan in Vermont works, Hsiao estimates it will still be eight years of burgeoning health costs nationally before a similar model is seriously considered in the U.S.

To achieve the perfect balance, Hsiao, like a master chef, follows a recipe but varies the amount of each ingredient every time he steps into the kitchen. He begins with a base of economic theory, carefully measures

in the office at 8:30 a.m. and the last to leave at 8 or 9 p.m. He spends weeks or months annually traveling throughout the world; in China, he may be discussing health care policy with top Communist Party officials

Paula Stephens/Veer

Bill Hsiao documented the plight of uninsured peasants in China and developed a health care plan that covers hundreds of millions.

Courtesy of William Hsiao

EARLY TRAGEDY

William Hsiao was born in Beijing in 1936, just before World War II. Ahead of the Japanese advance, his family moved to Kunming and then to the U.S.; his father served in the Chinese delegation to a fledgling United Nations.

Not long after moving to the U.S., Hsiao's father suffered an asthma attack while preparing to go Christmas shopping with his children. An ambulance took him to a nearby private hospital, which refused to admit him because the family couldn't pay. The ambulance raced to the nearest public hospital, but it was too late. Hsiao's father had died en route.

The following year, Hsiao's mother was admitted to a sanitarium with tuberculosis. Hsiao and his five siblings, living at the time in Queens, New York, were advised to put themselves up for adoption. Rather than separate, they earned the money needed to remain a family. Hsiao delivered newspapers in the morning, worked in a grocery store after school, and delivered Chinese food in the evening. The children pooled their money to pay for, in descending order, rent, rice, vegetables, meat, fruit, and clothes. To this day, Hsiao's lunch is sometimes just an apple.

After college at Ohio Wesleyan University and a few years as an insurance actuary, Hsiao left corporate America and became a civil servant in the Social Security Administration. In 1968, he was promoted to deputy chief actuary and helped save Social Security from insolvency in the face of double indexed pension benefits—when benefits were hitched to both wages and a rising rate of inflation. Three years later, he left government service and enrolled at Harvard University, where he obtained a master's in public administration and a PhD in economics. He became a full professor of economics at Harvard in 1986. His gilded academic credentials made him the perfect point man for shaking up the health care system.

THE ABCS OF RBRVS

During the late 1980s, Hsiao created the Resource-Based Relative Value Scale (RBRVS). Essentially, it says that a physician should be paid based on the relative amount of work effort (resources) it takes to perform a procedure (value), compared with other procedures, and in the context of all medical procedures (scale). In other words, the more work, skill, knowledge, and effort it takes to deliver a service, the more a physician is compensated.

HYSTERECTOMY VS. PSYCHOTHERAPY

Paying a person for his or her work effort is not revolutionary, but how Hsiao assessed a physician's value was bruisingly controversial. The effort required thousands of interviews with doctors and took several years to finish.

For instance, Hsiao and his colleagues compared a hysterectomy with a session of psychotherapy. They determined that a hysterectomy took twice as long, required 3.8 times as

continued

much mental effort, 4.47 times as much technical skill and physical effort, and entailed 4.24 times as much risk. When the RBRVS calculated all of these factors, a hysterectomy turned out to be almost five times more difficult than a session of psychotherapy.

Congress eventually approved the plan, and in 1992 Medicare began to pay doctors based on the RBRVS. Private health insurers soon followed suit. Today, the RBRVS still determines a doctor's pay.

William Hsiao's true expertise lies in the ability to get things done where others cannot. "If you don't understand what is viable politically," he says, "you can design the most beautiful plan, but it won't even get a hearing."

SPECIALISTS HIJACK PAYMENT SCHEME

But the RBRVS—which Hsiao had conceived as a rational means of saving medical dollars—took a paradoxical turn. Today, the system is blamed for the very problem it tried to halt: rising health care costs. In its original form, RBRVS would have led to a 20 percent drop in specialists' incomes and a 20–30 percent rise in the incomes of primary care physicians. But according to Hsiao, powerful specialty groups—which now occupy the American Medical Association special board that updates the RBRVS—have captured the process and altered the original values to create a flood of well-paid specialists and a drought of low-paid primary care physicians.

"For the first six to eight years, there was a positive impact, but now it's been eroded," Hsiao laments. "Some of my research should have focused on how to prevent self-interested groups from gaining power to control the updating of RBRVS."

REFORM IN CHINA

Americans are accustomed to sensationalized debate on health care reform. But not every country is so resistant to change. One reason so many of Hsiao's projects have succeeded is that he focuses on those that have the best chance of success, in such wide-ranging locales as Colombia, Sweden, and Uganda.

But the foreign country Hsiao has worked with the longest is his homeland: China. And it is there that Hsiao can best apply his singular mix of skills.

The first time that Yanfang Su saw Hsiao conducting an interview in China, she didn't understand what was going on. Su is a student whom Hsiao had met in China and recruited to study in the U.S. "He asked the man making deliveries by motorcycle all these questions: how long it took him to get to the clinic, how many deliveries he makes each day," she says. At the time, Hsiao and Su were traveling through the Chinese countryside to set up an advanced sputum testing system to do same-day diagnosis of TB. Su wondered: What does some guy's motorcycle trips have to do with diagnosing tuberculosis?

As it turns out, quite a lot. For Hsiao, seemingly superficial questions may reveal how many deaths can be prevented. A traditional TB sputum test takes days to run. That means the man on the motorcycle must make two trips to the clinic: the first to supply the sample, the second to get results. In rural China, if the distance is too great or the road conditions too difficult, the man with the motorcycle won't return to the clinic. The technology of same-day TB tests can save lives; the man makes one trip, supplies one sample, and is diagnosed on the spot.

Using such commonsensical reasoning, Hsiao has made profound changes across China's health care landscape. Over the past 20 years, he helped document the plight of uninsured peasants. In 2002, leveraging a newfound political will, Hsiao and his colleagues developed a plan that now covers most of the hundreds of millions of previously uninsured Chinese peasants.

THE SPREAD OF SINGLE PAYER

In 1989, the Taiwanese government asked Hsiao to design a plan to guarantee the health care of every Taiwanese citizen. Studying the health care systems of six countries—the U.S., the UK, Canada, France, Germany, and Japan—Hsiao concluded that the Canadian single-payer system offered the best care and the most satisfied patients.

A few years later, Taiwan passed health care finance reform. Six months after that, 92 percent of the population was insured for prevention, primary care, hospitalization, long-term, vision, dental, even for traditional Chinese medical techniques like acupuncture. Today, along with Great Britain and France, Taiwan is a leading example of a national single-payer health care model.

With single payer, says Hsiao, "You can have universal coverage and good-quality health care while still managing to control costs." And though he believes single payer is the best route, he concedes that what works for one country doesn't necessarily work for another. If patients or politicians can't swallow a single-payer system, he moves on to the next-best system that they can tolerate. If Hsiao feels that meaningful change of any kind isn't possible, he walks away. In Hsiao's view, political will and economic feasibility are the fundamental ingredients for change. As he puts it, "I would even work with a dictator, if I felt that he had the best interests of his people in mind."

A LASTING LEGACY

When Vermont governor Peter Shumlin first asked Hsiao to design a reform of the state's health care system in 2010, the Harvard professor initially refused. The RBRVS battle and the increasing rancor of the national health care debate had soured Hsiao's attitude on the prospects of health care reform in the U.S.

But Shumlin persisted. And five months after Hsiao stood alone before the legislature, Shumlin commanded the granite steps outside the Vermont State House. "We gather here today to launch the first single-payer health care system in America," he declared. "To do in Vermont what has taken too long: have a health care system, the best in the world, that treats health care as a right and not a privilege."

Since then, California, Colorado, Minnesota, Oregon, and Pennsylvania have also asked Hsiao to help reform their health care systems, although he hasn't agreed to work with any other states. ("Vermont was an anomaly," he says. "I had to put aside my own research for a year.")

If Vermont's version of single-payer health care works, it could serve as a recipe for how everyone in the U.S. might receive affordable, high-quality health care. But it will take another eight years, Hsiao estimates, before the U.S. will seriously consider such a plan. By then, America's three biggest health care problems—tens of millions of uninsured, rising costs, and uneven quality of services—will be too great for patients, businesses, and politicians to bear, and the system will teeter on bankruptcy.

"We already feel the pain," says Hsiao. "In another eight years, costs will have risen so much that we will need radical surgery—and we will be willing to accept radical reform to correct it."

In the meantime, the U.S. Supreme Court is currently reviewing the constitutionality of the far-reaching health-reform initiative known as the Affordable Care Act. The first national legislative effort to rein in health care costs, the law aims to extend insurance coverage to more than 30 million Americans through an expansion of Medicaid and a provision that people buy health insurance starting in 2014 or face a penalty.

If the Court strikes down the law, it could hurt Vermont's single-payer system in very practical ways, because Vermont's system was crafted on the assumption that the federal Act would be implemented, providing an added subsidy for the state's program.

But for Hsiao, the stakes are even higher. "The Supreme Court case involves the philosophical divide between individual rights and collective well-being," he says. "If the Court strikes down the law, it implies that the USA, one of the richest nations in the world, does not accept a right for every citizen to have equal social protection for basic health care. It raises the issue of what kind of nation we are: Do we care about our less fortunate neighbors—and are we willing to give up some of our rights so they can have better opportunities in life?"

Eric Bland is a Boston-based freelance journalist.

AP Photo/Toby Talbot

Bill Hsiao, right, with Vermont Governor Peter Shumlin, left, and Speaker of the Vermont House of Representatives Shap Smith, on January 19, 2011. That day, Hsiao presented his single-payer health care plan to the state's legislators.