Using ERM to Add Value as a Healthcare Risk Manager

Presented by:

Reid Putnam, Mike Salazar & Austin Oldham

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Agenda

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Introduction

Our Presenters

Reid Putnam
Vice President,
Property & Casualty

Austin Oldham
Enterprise Risk
Management Consultant

Pre-ERM

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What is Enterprise Risk Management (ERM)?

There are many definitions:

- ISO
- COSO
- RIMS
- ASHRM

Here's what we use because it speaks to the WHAT & the WHY:

- Enterprise risk management is a **comprehensive** and **embedded approach** to **proactively managing critical areas of uncertainty** related to the **strategic objectives** of an **organization**.

Why Adopt ERM?

We are faced with an increasingly “VUCA” environment:

- **Volatile** – rapid speed of change
- **Uncertain** – difficult to predict
- **Complex** – many different and connected variables
- **Ambiguous** – lack of clarity or information

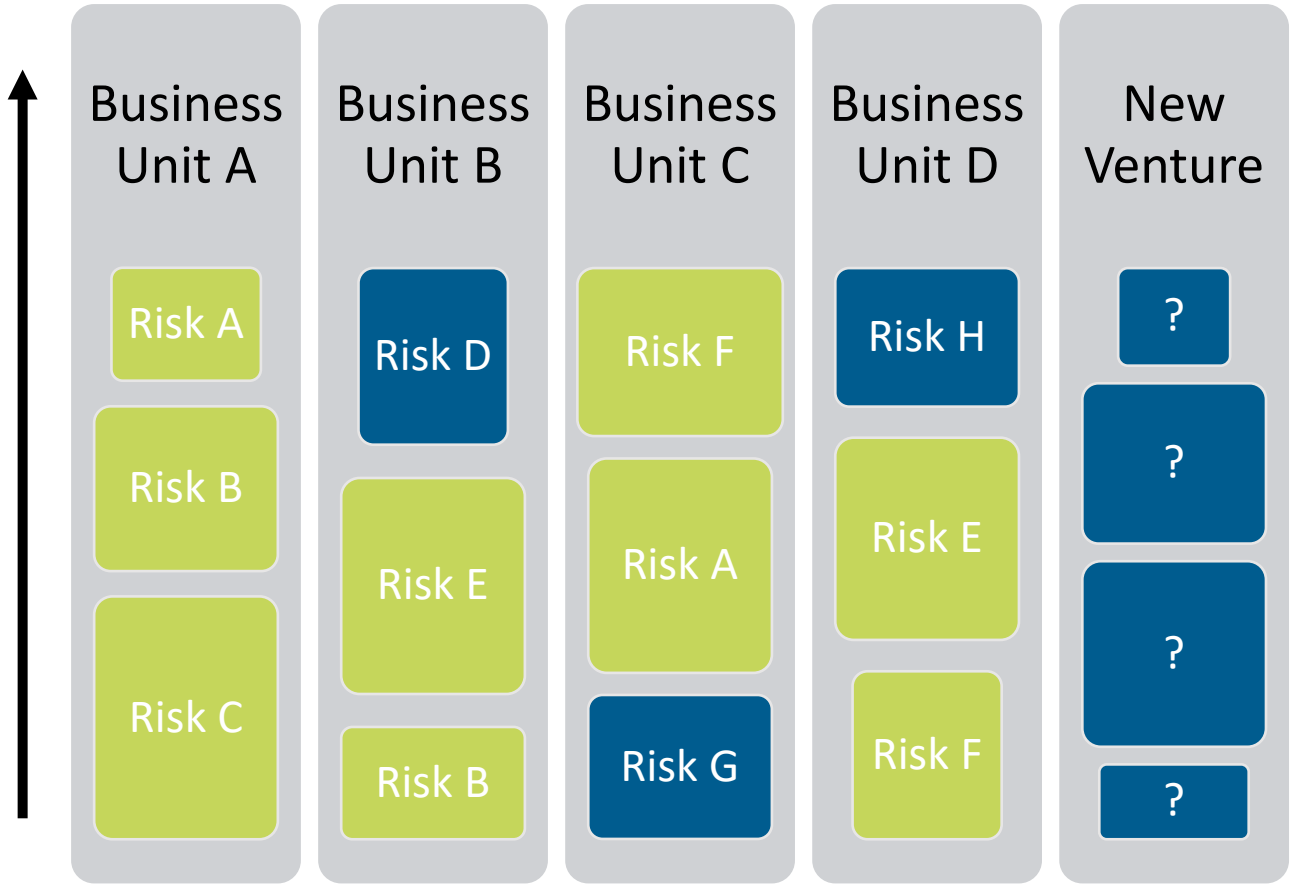
Why Adopt ERM?

Board and senior leaders need to:

- Systematically identify key internal and external risks to the organization's strategy and business objectives
- Better capture and utilize risk-related data
- Communicate and escalate information between silos
- Guide resource allocation and prioritization of risk mitigation activities

The Challenges

Silos



Risk management **silos** are unable to effectively:

- Capture inter-related risks
- Prioritize risks and responses across the organization
- Communicate and escalate risk information in a timely & uniform manner
- Support the strategic decision-making process
- Uncover neglected risks

The Challenges

Balancing Act

- There is tension between aligning **operational** activities, **strategic** objectives and the external **environment**
- There are many organizational **needs** and limited **resources** to deploy

Who Cares & Participates?

Leadership and governance support must be clearly communicated

- ERM is often a senior leadership and/or board directed initiative

Clinical and non-clinical staff are engaged in the process

- Participants include Executive and Senior Management Teams, select Board Members and Subject Matter Experts

Risk managers are internal champions and drivers of the process!

Boards that embrace ERM view its value from two perspectives; optimizing decision-making and maximizing value.

ERM helps organizations optimize decision-making by identifying the best strategies for reducing risk versus those that are simply "good enough." This aspect of ERM helps organizations maximize the value they derive from the decisions they make.

ERM can also support value creation. When risk is viewed only as negative, the goal is to reduce or eliminate the risk and minimize its impact. ERM views risk as uncertainty, which means it can also lead to positive outcomes that enhance revenues, reputation and value.

How Much Effort & Commitment?

Effort is dependent on the approach taken

- Is the initiative internal, or does it utilize consultants to help?
- What is the scope of the process?
- What are the desired outcomes?

Commitment level must be defined and communicated to the organization!

Determining Responsibilities

Mature ERM programs have

- Dedicated teams
- Embedded accountability
- Ongoing education
- Specified activities

ERM relies on the organization's ability and desire to

- Adopt the process
- Work collaboratively
- Drive continuous improvement

Organizational Readiness

These are questions from ASHRM for the Board to ask

Simple questions I use to assess client readiness:

- **Pain:** is the need identified and articulated?
- **Priority:** is the initiative supported by senior leadership?
- **Action:** is there a willingness to invest resources now?

• Why do we think we need an ERM process in our organization?	• Has an executive ERM champion been identified?
• What do we seek to accomplish through ERM?	• Does the current state of the organization's culture and environment support ERM adoption?
• How will the board fully support the ERM process?	• Does the organization's culture (behaviors, beliefs and values) encourage identifying and evaluating risk and utilizing the evaluation in the development of strategies and business objectives?
• Where will enhanced risk management activities deliver the greatest value?	• Are sufficient internal and external resources to support ERM adoption available?
• What impact will the adoption of ERM have on the health care organization, and how should it be managed?	• How effectively can information technology be leveraged to support the organization's risk and control framework?
• How will risks and controls be identified, assessed, monitored and improved?	• Do the relevant skills and experience exist within the organization to execute the ERM framework?
• Have the organization's risk appetite and capacity boundaries been defined, agreed upon, communicated and understood?	• What communication will be needed for both internal and external stakeholders to encourage buy-in to the ERM framework?
• Which existing operations can be leveraged to embed ERM throughout the organization?	• Has consideration been given to continuous improvement of the framework?
• What level of oversight will be required for performance measurement and risk mitigation?	• How will the success and value of the ERM program be defined, measured and monitored?
• Are current risk functions effectively aligned and coordinated to manage risk?	• Is risk awareness integrated into the organization's strategic plan?

During Implementation

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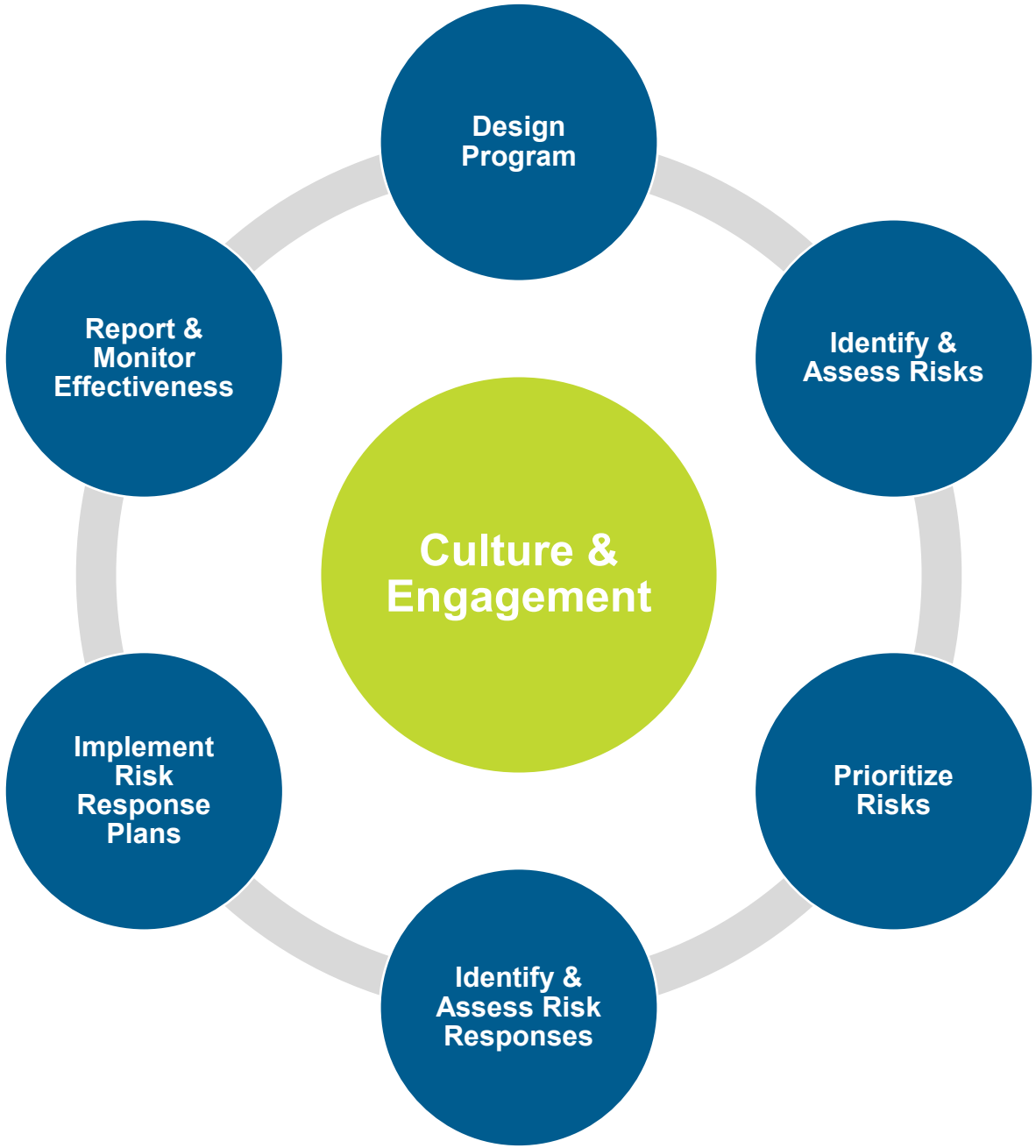
The Process


Design Program
Identify & Assess Risks
Prioritize Risks
Identify & Assess Risk Responses
Implement Risk Response Plans
Report & Monitor Effectiveness
Culture & Engagement

Key Considerations

For Each Step

Design Program – DON'T SKIP

- There is no one-size-fits-all ERM program
- Discovery is crucial to understanding desired outcomes

Identify, Assess and Prioritize Risks

- Orgs can spend too much time here – ERM is meant to be iterative, not exhaustive
- Structure your scoring/rating based on organizational priorities

Key Considerations
Continued

Identify, Assess and Implement Responses

- Lots of value in this stage!
- Drive deep into most important risks – RCA, FMEA, stress testing, etc.

Report and Monitor

- This step is often overlooked, but is key for ongoing effectiveness!

Pulse Check
Any Questions?

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Keeping ERM Alive

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Actionable Insights

- Inter-related, neglected, new or emerging and uninsurable risks
- Strategies related to all forms of risk transfer & opportunities
- Continuous improvement & increased efficiencies
- Reputational and operational resilience
- Improved risk awareness across the organization
- Clarity and alignment in thought and action for senior leaders
- Validate and stress-test strategic plan

Barriers to Success

Roadblocks

Lack of Engagement

- **Solution:** hit this hard in the pre-ERM phase and ensure there is a champion with C-level influence and visibility

Focusing Too Much on Lists and Ratings

- **Solution:** education and emphasis

Barriers to Success

Roadblocks (Continued)

Limited accountability for the response teams

- **Solution:** some of this can be influenced by culture, but a good solution is to adopt a charter or oversight document held by ELT

Turning ERM into a compliance function

- **Solution:** ensure reporting to ELT drives action; keep informational reporting at team level

Telemedicine Example

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Identification

Assumptions – the organization:

A.) Has identified telemedicine as a strategic priority, and/or

B.) Is concerned about the uncertainty associated with their telemedicine operations.

ID – Telemedicine

- The risk of an adverse event associated with the delivery of medical services and healthcare through remote communication technologies

Assessment

Score:

- Legal/Regulatory
- Financial
- Operational (including Human Capital and Technology)
- Reputational and Hazard/Safety impact of the risk
- The likelihood of a Risk Event occurring
- The urgency of focusing on this risk

Assessment Criteria

- Impact thresholds are set for each domain by senior leadership
- Likelihood may be based upon claim history, past incidents and experiences, audit assessments, and other quantitative and qualitative factors
- Urgency factors are validated by senior leadership

Domain	Description/Example
Operational 	The business of health care is the delivery of care that is safe, timely, effective, efficient, and patient-centered within diverse populations. Operational risks relate to those risks resulting from inadequate or failed internal processes, or systems that affect business operations. Examples include risks related to: adverse event management, credentialing and staffing, documentation, chain of command, lack of internal controls, supply chain and identification of existing opportunities within management oversight.
Clinical/Patient Safety 	Risks associated with the delivery of care to patients, residents and other health care customers. Clinical risks include: failure to follow evidence based practice, medication errors, hospital acquired conditions (HAC), serious safety events (SSE), health care equity, opportunities to improve safety within the care environments, and others.
Strategic 	Risks associated with the focus and direction of the organization. Because the rapid pace of change can create unpredictability, risks included within the strategic domain are associated with brand, reputation, competition, failure to adapt to changing times, health reform or customer priorities. Managed care relationships/partnerships, conflict-of-interest, marketing and sales, media relations, mergers, acquisitions, divestitures, joint ventures, affiliations and other business arrangements, contract administration, and advertising are other areas generally considered as potential strategic risks.
Financial 	Decisions that affect the financial sustainability of the organization, access to capital or external financial ratings through business relationships or the timing and recognition of revenue and expenses make up this domain. Risks might include: capital structure, credit and interest rate fluctuations, foreign exchange, growth in programs and facilities, capital equipment, regulatory fines and penalties, budgetary performance, accounts receivable, days of cash on hand, capitation contracts, reimbursement rates, managed care contracts, revenue cycle/billing and collection.
Human Capital 	This domain refers to the organization's workforce. Included are risks associated with employee selection, retention, turnover, staffing, absenteeism, on-the-job work-related injuries (workers' compensation), work schedules and fatigue, productivity, compensation, succession planning and labor unionization activity. Human capital associated risks may cover recruitment, diversity, retention, and termination of members of the medical and allied health staff.
Legal/Regulatory 	Risk within this domain incorporates the failure to identify, manage and monitor legal, regulatory, and statutory mandates on a local, state and federal level. Such risks are generally associated with fraud and abuse, licensure, accreditation, product liability, management liability, Centers for Medicare and Medicaid Services (CMS) Conditions of Participation (CoPs) and Conditions for Coverage (CfC), as well as issues related to intellectual property.
Technology 	This domain covers machines, hardware, equipment, devices, wearable technologies and tools, but can also include techniques, systems and methods of organization. Health care has seen an escalation in the use of technology for clinical diagnosis and treatment, training and education, information storage and retrieval, and asset preservation. Examples also include Electronic Health Records (EHR) and Meaningful Use, financial and billing systems, social media and cyber security; cyber risks can be significant.
Hazard 	This ERM domain covers assets and their value. Traditionally, insurable hazard risk has related to natural exposure and business interruption. Specific risks can also include risk related to: logistics/supply chain, facility management, plant age, parking (lighting, location, and security), valuables, construction/renovation, earthquakes, windstorms, tornadoes, floods, fires and pandemics.

Assessment

Scoring

Legal/Regulatory = 4 out of 5

- Rationale: The landscape surrounding telemedicine is complex and evolving. Non-compliance with regulations and laws could lead to penalties, fines, or litigation.

Financial = 3 out of 5

- Rationale: Medmal claims may lead to increased insurance premiums, legal costs, and potentially uninsured aspects of a claim.

Operational = 3 out of 5

- Rationale: Depending on the incident there may be disruption to operations for investigation, staff reallocation/retraining, and resource allocation or changing of vendors.

Reputation = 4 out of 5

- Rationale: A high-profile case can damage the org's reputation, leading to loss of trust.

Hazard/Safety = 4 out of 5

- Rationale: An event may result in patient harm or inadequate treatment, affecting patient safety.

Assessment

Scoring

Probability = 4 out of 5 (likely)

- Rationale: The increasing adoption and utilization of telemedicine and the potential for medical errors elevates the likelihood of an incident.

Urgency = 4 out of 5

- Rationale: Telemedicine adoption and utilization is a priority for many healthcare organizations, so ensuring downside risks are minimized and upside potential is captures is critical.

Urgency	Factors Present
Critical	Significant improvement opportunity and high level of concern; must devote significant effort and resources to solving this immediately (0-12 months)
Short-Term	Moderate improvement opportunity and concern; committed to devoting considerable effort and resources to this now and over the next 1-3 years.
Long-Term	Limited improvement opportunity and concern; continuing to monitor and devoting effort and resources as needed over the next 1-5 years.

Rating	Time Factor	Controls Factor	Probability Factor
4 – Certain or Almost Certain	Almost certain to occur within the next twelve months	Staff lack skills and training; velocity of change is immediate; major transactional changes; task errors exceed limits; key personnel changes in last six months.	>75%
3 – Likely	Likely to occur within the next 12-24 months	Some staff lacking skills and training; velocity of change measured in days or weeks; significant transactional changes; task errors often in excess of limits; key personnel changes within last 12 months.	50-75%
2 – Possible	Possible occurrence within the next 24-48 months	Staffing shortage in area; velocity of impact measured in weeks; moderate transactional changes; task errors occasionally exceed approved limits; recent changes in personnel	25-50%
1 – Unlikely	Unlikely to occur within the next 48 months	Adequate skill and training in staff; velocity of change is measured in months; minimal transactional changes; task errors within approved limits; no changes in key personnel.	<25%

Respond

Responding

- Teams are assigned to identify, assess, and implement effective strategies to prevent and/or mitigate the risk

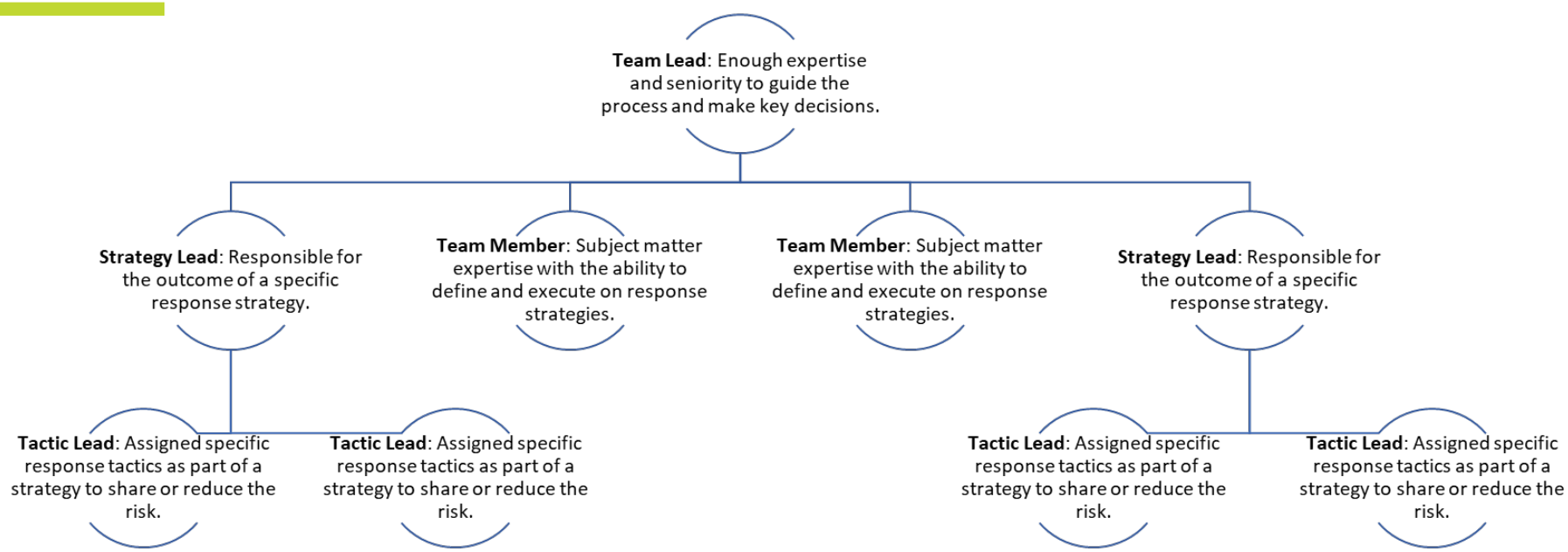
- Use a root-cause-analysis to find key risk drivers of a telemedicine event
  - **Inadequate staff training**
  - **Lack of standardization:** inconsistent processes and protocols across telemedicine platforms and providers may result in inconsistent care delivery
  - **Vendor/technology issues:** IT disruptions or failures can drive incidents and operational waste
  - **Communication challenges:** poor communication channels between providers and in-person medical staff can lead to errors in patient handover

Respond (Continued)

Response Strategies

- **Enhanced training and education:** comprehensive onboarding and training programs covering technology usage, best practices, etc.
- **Standardize processes:** establish clear protocols, including documentation, handover procedures, and escalation of issues
- **Improve communication:** explore ways to strengthen communication channels (secure messaging, regular meetings, etc.)

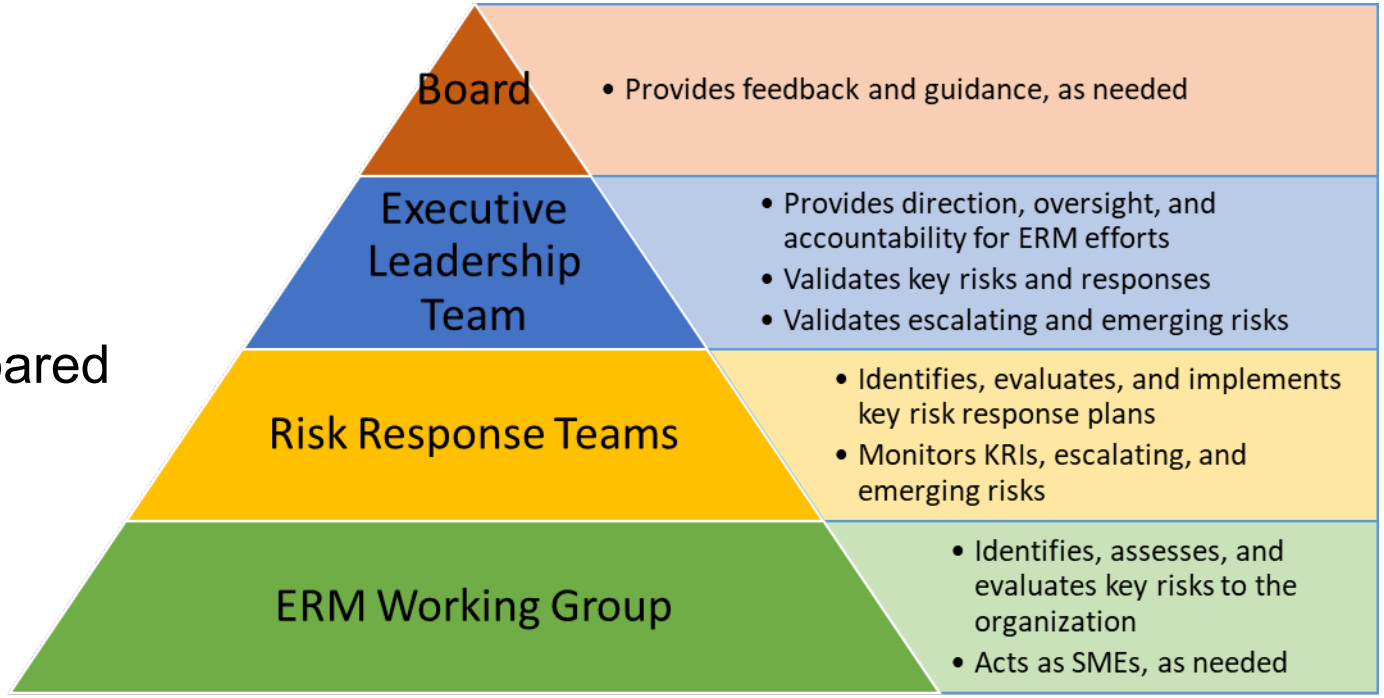
Illustrative Examples



Root Causes	Preventive Responses	Risk Event	Mitigative Responses	Consequences

Monitor & Report

- Risk Monitoring through KRIs (indicators of growing risk)
  - Telemedicine utilization rate
  - Patient satisfaction score for telemedicine
  - Number of telemedicine incidents/complaints or % compared against in-person
  - Staff compliance with protocols
- Reporting structure



Summary

- Why should we adopt ERM?
- How do we know if we are ready?
- Keep going – remember that the process is iterative, not exhaustive!
- Importance of ERM in healthcare

ERM Survey & Giveaway →

- We will collect the results and send back out through ISHRM, along with some actionable insights.
- We will randomly select two winners to get a $25 gift card.

Thank you!
Q&R Time