



ADOPTING AN ORGANIZATIONAL APPROACH TO RISK

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Objectives



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- Identify domains of an enterprise approach to risk management
- Discuss strategies for implementing a global perspective of risk within your organization
- Describe actions to become an active participant in risk management

The Evolving Role of Risk Management



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- The Past 30 years ...
 - 1970's – Insurance claims data
 - 1980's – ASA : Pt safety committee
 - 1990's – JCAHO : sentinel events policy
 - 1994 – Media attention : medical errors
 - 1999 – Institute of Medicine Report

The Evolving Role of Risk Management cont.



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- The immediate past (a sampling)
 - 2002 - Sarbanes-Oxley Act
 - 2003 – HIPAA Privacy & Security Rules
 - 2004 – Committee of Sponsoring Organizations of Treadway Commission (COSO) publishes ‘Enterprise Risk Management-Integrated Framework
 - 2009 – Health Information Technology for Economic & Clinical Health Act (HITECH)
 - 2010 - Patient Protection & Affordable Care Act (PPACA)

The Evolving Role of Risk Management cont



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The Future...

A focus on
organizational
risks,

“Enterprise

Risk

Management”



Enterprise Risk Management



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- A process, a framework of activities to identify and manage risks by considering all forms of risk across an organization
- Different approaches, models & definitions
- A strategy for managing risk holistically

Enterprise Risk Management. another way of thinking

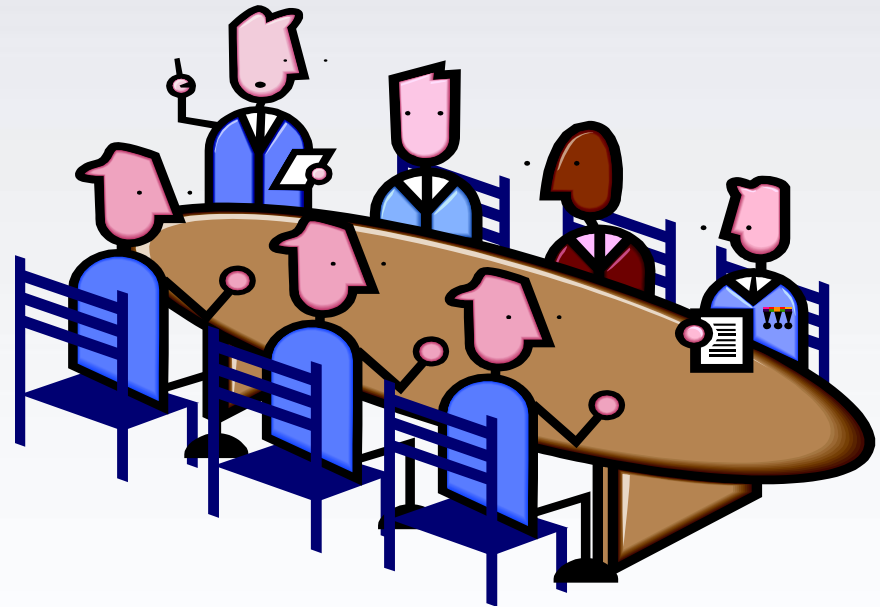


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From....



To



Healthcare's Complexity Embraces an ERM approach



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- Diversity of patients – communication issues
- Society perspective ‘ do no harm ‘
- Differing skills & qualifications of staff
- Unclear lines of authority
- Time pressures
- Complicated technology outdates quickly
- Wide range of regulatory requirements
- Reimbursement issues

Value of ERM



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- Greater focus on corporate governance & accountability
- Ability to address emerging complex issues
 - technology
 - Regulatory changes
 - Healthcare reform
 - Affiliations
- Creates linkages between departments
 - Understand cause & effect
 - Improved decision making

Getting Started with ERM Implementation



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- Support of Board & Senior mgt
- Vision, plan, goals, objectives
- Assign authority & champion
- Cross functional teams - Oversight & operations
- Project objectives & performance indicators
- Educational initiatives
- Reporting structure

Enterprise Risk Domains:

source: American Society for Healthcare Risk Mgt



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Risks having an impact on the direction and growth of the organization. Examples:

- Reputation
- Competition
- Healthcare reform
- Managed care relationships
- Antitrust
- Conflict of interest
- Marketing & advertising
- Media relations
- Business ventures
- Affiliations
- Contract administration
- Service acquisition
- Expansion
- Contract management
- Insurance



Risks that affect the ability to earn, raise and access capital. Examples:

- Litigation
- Credit and interest rate fluctuations
- Growth in programs and facilities
- Capital equipment
- Corporate compliance (fraud and abuse)
- Billing & collection – ICD-10
- Capitation contracts
- Days of cash on hand
- Accounts receivable
- Insurance
- Never events



Risks in personnel management.

Examples:

- Hiring & retention practices
- Absenteeism
- Work schedules & staffing patterns
- Termination of staff
- Productivity
- Orientation & training
- Workers Compensation
- Fatigue
- Breach of contract



Involves risks arising out of licensure as well as laws & regulations to which the organization must comply. Examples:

- Statutes, standards and regulations
- Licensure
- CMS/DHHS/OIG
- Accreditation
- Hazardous waste disposal
- Product liability
- Fraud & abuse
- Business Associates



Risks associated from information and life sciences systems. Examples:

- Risk management information systems – system compatibility
- Bar coding
- Electronic health records
- Social networking
- Cyber liability
- Telemedicine



Risks related to operations that result from inadequate or failed internal processes, people or systems. Examples:

- Clinical practice guidelines
- Medical treatment
- Medication administration
- Laboratory testing
- Deviation from practice
- Chain of command
- Referrals
- Documentation
- Transparency & disclosure
- Interpreters
- Credentialing & staffing
- Adverse event management



Risks associated with the delivery of care to patients. Examples:

- Medication errors
- Hospital acquired conditions
- Retained foreign objects
- Wrong-site surgery
- Professional liability
- Peer review
- Research trials

Natural/Hazard Risks



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Risks attributable to physical loss of assets or a reduction in value related to natural hazards & business interruption. Examples:

- Facility management
- Building age
- Parking (lighting, location, security)
- Valuables
- Construction/renovation
- Natural disasters
 - Earthquake
 - Fire
 - Flood

Risk Management Process



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**Risk
Identification**

**Risk
Analysis
&
Assessment**

**Risk
Evaluation
&
Management**

**Implement
Action**

**Risk
Monitoring**



- Goals:
 - Identify potential areas of financial risk
 - Assess potential impact to organization
 - Implement a plan to reduce or eliminate the risk
 - Monitor to ensure plan is working
- Learn from existing exposures & outcomes and apply to systems for process improvement
 - This involves a change from being reactive to proactive



- Use already established methods:
 - Event reporting
 - Audits
 - Review of committee minutes
 - Benchmarking indicators
- Other methods:
 - Leadership and staff interviews
 - Risk assessment surveys
 - Brainstorming sessions

Analyzing Risks



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- Consider both positive & negative consequences
- Utilize familiar tools
- 2 Dimensions:
 - Frequency
 - Severity
- Options:
 - Accept
 - Refuse (modify)



1. Risk control – to eliminate, reduce or prevent frequency
 - Cause or risk factor
 - Impact or significance
 - Controls
 - Recommended Actions
2. Risk financing – resources available to pay for cost associated with loss when risk control fails

Selecting the Best Technique



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- Typically include both risk control and risk financing
- Take into consideration:
 - Resources & availability
 - Time to implement
 - Expertise
 - Impact on operations – market share, reputation, competition
 - Outside requirements – legal, regulatory

Monitoring for Success



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- Benchmarking
- ROI
- Reports
 - Keep Governing Board apprised of key developments & milestones
 - By someone actively involved in the process

Example - New Program – Animal Assisted Activities & Therapy



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- Assemble ERM Task Force
- Members include RN, HR, Finance, Social Services, PT, Risk Manager
- Collect data from the risk domains and evaluate:
 - both positives & negatives
 - frequency & severity
- Recommendations to proceed or not with any qualifications



- Controls implemented to reduce risk exposure:
 - Human resource
 - Clinical & Operations
 - Environment
- Finance:
 - Insurance coverage



- Metrics to determine program success:
 - Number of visits
 - Hours of service
 - Number of adverse incidents
 - Feedback

Summary - ERM



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- The buy in of everyone is important; including C-suite & Governing Board
- Consider all domains of risk with a cross functional team approach
- Use methods to evaluate benefits & risks already in place
- Reduce risk exposure by selecting risk control & financing strategies
- Don't forget to identify benchmarks to demonstrate your ROI.