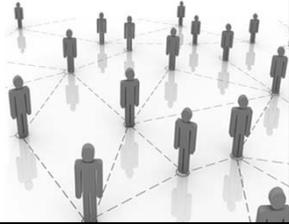




Enterprise Risk Management in Health Care

Deloitte & Touche LLP
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Enterprise Risk Management

Formal definition of risk:
Risk is "any event that can adversely affect the achievement of your objectives."

Risk Intelligent definition:
Risk is the potential for loss or harm — or the *diminished opportunity for gain* — that can adversely affect the achievement of an organization's objectives.

Enterprise Risk Management (ERM) is a structured analytical process that focuses on identifying and eliminating the financial impact and volatility of a portfolio of risks rather than on risk avoidance alone. ERM utilizes a process or framework for assessing, evaluating, and measuring all of an organization's risks.¹



¹ "Enterprise Risk Management: Defining the Concept, Recognizing Its Value," 25.4 (2006): 11-13. American Society for Healthcare Risk Management, 2006. Web. <http://www.ashrm.org/ashrm/education/development/monographs/ERMmonograph.pdf>.

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The Risk Intelligent Enterprise

In a risk intelligent enterprise, a common definition of risk — one that addresses both **value preservation** and **value creation**, is used consistently between management, the Board and throughout the organization.



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Discussion topics

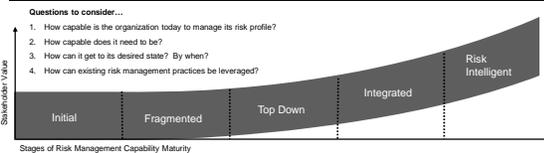
- ERM maturity model
- Leading trends for effective ERM
- Hot risk topics
- What Boards can do

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ERM maturity model

Considering where you are...and where you want to be



Illustrative attributes describing each maturity level				
Initial	Fragmented	Top down	Integrated	Risk intelligent
<ul style="list-style-type: none"> • Ad hoc chaotic • Depends primarily on individual heroics, capabilities, and verbal wisdom 	<ul style="list-style-type: none"> • Risk is defined differently at different levels of organization • Risk is managed in silos and risk interactions are identified in a limited manner • Limited alignment of risk to strategies • Disparate monitoring and reporting functions 	<ul style="list-style-type: none"> • Common risk framework, program statement, policy • Enterprise-wide integrated risk assessments • Communication of top strategic risks to the Board • Executive/Steering Committee • Knowledge sharing across risk functions • Awareness activities • Dedicated team to manage risk 	<ul style="list-style-type: none"> • Coordinated risk management activities across silos • Risk appetite is fully defined • Enterprise-wide risk monitoring, measuring, and reporting • Technology enabled processes • Contingency plans and escalation procedures • Risk management training 	<ul style="list-style-type: none"> • Risk discussion is embedded in strategic planning, capital allocation, product development, etc. • Early warning risk indicators used • Linkage to performance measures and incentives • Risk modeling/scenarios • Industry benchmarking used regularly

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Leading trends for effective ERM

- Increased focus on risk "intelligence" and risk assessment
- More frequent and dynamic assessment of top risks
- Management-level and Board-level accountability for the ERM process and for each key risk
- Analytics and other predictive tools for early detection of – and response to – emerging risks
- Integration of risk management and strategy / major initiatives
- Improved discipline and better documentation



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Hot risk topics

- Cyber security risk
- Increased oversight/program integrity activities (information privacy and security)
- Two-midnight rule implementation and other inpatient prospective payment system (IPPS) changes
- 340B drug pricing program compliance
- Business continuity beyond information technology (IT) capabilities
- Industry convergence and new competitors
- Evolving business models and care moving outside of hospitals
- Managing costs while improving quality
- Reputational risk
- The Sunshine Act
- Impacts of the Affordable Care Act



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What Boards can do

Start by asking about current risk management processes and programs; understanding current state / desired future state

Consider adequacy of information about risk currently received

Ask relevant (and tough) questions to exercise effective risk oversight

Influence Executive sponsorship and buy-in by the CEO and C-Suite

Enable clear lines of communication between the ERM team and the Audit/Compliance committee

A common theme:

Boards do not have a clear picture of the risks associated with the organization's operations, nor clarity of responsibilities for management and oversight of these risk areas.

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Mr. Waxman is an Associate in Risk Management (ARM) and has more than 14 years of risk and compliance consulting experience. He specializes in risk assessment, risk and compliance program design, governance, risk analytics, and building enterprise awareness for risk and compliance programs. Mr. Waxman brings experience in strategic planning, organizational design, process mapping and reengineering, training, and awareness building for risk programs, and he has focused on developing and delivering risk management reengineering projects for ERM, compliance, information security, and business continuity corporate functions. His experience brings specialized knowledge of how risk and compliance offices operate including their roles and responsibilities.

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