

Compliance Risk Assessment Fiscal Year 07

Facilitators Guide

Background:

The Federal Sentencing Guidelines indicate that “in implementing an effective compliance program, the organization shall periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement of a compliance program to reduce the risk of criminal conduct identified through this process.” A good risk assessment is often considered the 8th element of an effective compliance program.

In FY06, the Compliance department undertook a project to design, develop and implement an assessment process to rigorously assess compliance risks within CHW, to evaluate controls in place to mitigate risks, and to prioritize risk to ensure appropriate resources are devoted to the areas of greatest vulnerability. The process was utilized by the CHW Compliance Department to develop the FY07 work plan.

For developing our compliance work plan for FY08, the Compliance Department would like to expand the deployment of the risk assessment and utilize the expertise of the CHW Councils, Care Management, Risk Services, Legal and Finance in identifying and others in assessing our vulnerability to compliance risks throughout CHW.

The Compliance department will utilize a process of facilitated discussions to solicit the participation of the various stakeholders. This guide has been developed to assist facilitators in conducting these risk assessments.

Process Steps:

1. Each Facilitator will be assigned an assessment group. Generally this will be the CHW Council that the facilitator generally works with.
2. An overview of the project should be provided to the Council approximately 3 months prior to the planned assessment date. A PowerPoint presentation is attached to this guide for this use (Attachment 1).
3. A risk identification survey will be sent to each member of the Council (Attachment 2, discussed below).
4. The facilitator will collect the risk identification surveys and each risk area identified will be placed into the assessment tool.
5. During a Council meeting, the risk assessment will be completed. (an example of the scoring matrix is included in Attachment 3, and an example of the scoring tool is provided in Attachment 4)

6. Results of the risk assessment will be submitted to M. Hambleton and D. Kindelt for inclusion in the final assessment.
7. An organization-wide compliance risk assessment will be completed in April 07.
8. The FY08 work plan will be developed based on the assessment results.
9. Final results and FY08 work plan will be shared with the CHW Councils.

Risk Identification Survey:

After the Council has been provided an overview of the risk assessment process, you will send out The Risk Identification Survey (Attachment 2). You may choose to provide this during a council meeting or send it out to council members by e-mail. You should send this out in January 2008 so that you can collect results and populate the assessment tool in advance of the meeting in which you will complete the assessment (March 2008).

Review completed surveys carefully. Follow-up on any risk identified that is too general or not well defined (i.e. a risk identified as “ABN Compliance” – is this related to not getting the information from physicians, Admitting staff not doing the screening, not getting the ABN signed from the patient, not attaching the correct modifiers, etc.). Without a clear definition of the risk, the scoring on the assessment will be unreliable.

Once you have collected all the surveys and clarified as necessary, you will populate the Risk Assessment Tool (see example provided in Attachment 4). The Risk Assessment Tool is located on the Compliance T drive under the Resource Folder/Shared Material. Each workbook contains the Scoring Matrix and the Scoring Tool. Please select the workbook specific to your Council. List each risk identified from the Risk Identification Survey under the column with the heading “Topic”. Add in any comments you feel are necessary to better clarify or define the risk. Once the form is populated with the identified risks, you may want to save it on your laptop computer. This will allow you to complete the assessment with your Council without requiring CHW Network access. However, please leave a saved version on the T drive as well.

Risk Assessment:

Make sure you have allotted sufficient time on the agenda to complete the assessment. We anticipate that it should take a full hour to complete the assessment. If you have quite a number of risks identified, you may need a bit more time.

First, in some detail, go over the scoring matrix (see Attachment 3). It is very important individuals have a clear idea of what constitutes a 1, 2, 3, 4 or 5. We are scoring based on system wide impact. For example if one individual thinks it is a significant risk but all the others think the risk is very low, than system wide the score would be low. Likewise, if one hospital has an excellent process to control a risk but there are little controls throughout the rest of the system, then you would assign a high (poorly controlled) number. Remind the group that you will be seeking consensus in the scoring.

Once the participants have a clear understanding of the scoring matrix, bring up the populated Assessment Scoring Tool on your computer. You should be projecting this on a projector screen so that all participants can see the impact of their scoring.

Go through each identified risk and score each area (Mission, Financial, Legal impact, Likelihood, Detectability, and Controls). When completed, review scoring and ask the group if the final scoring makes sense and if the priorities (highest scores) look right. The group may want to make some adjustments as it is not unusual for scoring to get harder or more lenient as the exercise goes on.

Once the exercise is completed save a copy of the completed assessment tool on the Compliance T drive.

Follow-up

The council data will be used as part of the master assessment which will be completed in April (with participation from Compliance, Finance, Legal, Management Engineering, Care Management, etc.). Final results from the master assessment will be used to develop the Compliance Work Plan for FY08. Not all the items that were listed on the Council assessment will make it to the Compliance Work plan. The final work plan and priority list should be shared back with the Council. You should discuss any items that did not make the Compliance Work Plan that were identified as a high priority for the Council. These may be considered for Council initiatives or as individual facility initiatives.

Questions

If you have questions at any time during the process, please call Dawnese Kindelt or Margaret Hambleton.

Compliance Risk Assessment Overview

PRESENTED BY:



Catholic Healthcare West

CHW

- Federal Sentencing Guidelines
 - “Organizations shall periodically assess the risk of criminal conduct and shall take appropriate steps ...”
- 8th Element of an Effective Compliance Program?
- Proactive v. Responsive
- Good Business

- Risk Impact – Measure of the magnitude of the potential loss
 - Mission/Reputation
 - Financial
 - Legal
- Vulnerability – Measure of the probability of loss
 - Likelihood
 - Detectability
- Controls Assessment
- Risk Prioritization

- **Prior to FY06**
 - Consider internal reviews and audits
 - External source
 - Best Guess
- **FY06**
 - Developed rigorous assessment methodology
 - Limited deployment to Compliance Dept.
- **FY07**
 - Involve key stakeholders

- Project overview to stakeholders
- Risk Identification
- Risk Assessment – Individual areas
- Risk Assessment – All areas
- Development of FY08 work plan
- Final results to all stakeholders

- **Stakeholder Survey**
 - What are the biggest compliance risks facing CHW and/or your department? What about in the next three years?
 - What key processes are at the greatest of breaking?
 - If CHW and/or your department has a failing, what is it?
 - What are the most important things you are working on? How could they fail?
 - What are the things CHW and/or your department do not do very well?
- **Risk Definition/Description**
- **Current Controls**

Risk Assessment

Topic	Mission	Financial	Legal	Risk Impact	Likelihood	Detectability	Vulnerability	Controls	Risk Prioritization Score (RPS)	Comments
Risk 1	2	3	5	10	2	4	80	4	60	
Risk 2	4	5	5	14	3	3	126	5	126	
Risk 3	1	3	2	6	2	2	24	3	12	
Risk 4	3	2	3	8	4	3	96	2	24	
Risk 5	1	1	1	3	5	3	45	4	34	
Risk 6	3	4	5	12	4	4	192	3	96	
Risk 7	1	2	3	6	4	5	120	3	60	
Risk 8				0			0		0	
Risk 9				0			0		0	
Risk 10				0			0		0	
Risk 11				0			0		0	
				0			0		0	
				0			0		0	
				0			0		0	

- November – Compliance Risk Assessment Introduction and Overview
- January – Risk Identification Survey
- March – Risk Assessment (specific areas)
- May – Master Risk Assessment – Including individuals from Compliance, Finance, Operations, Care Management, Management Engineering
- May – Compliance Work Plan Development
- June – Board Approval and Council Report Back

Compliance Risk Identification Survey

Council/Survey Group: _____

Introduction: This risk identification survey is being used as part of a broader compliance risk assessment and prioritization initiative. The results of this survey will be evaluated, assessed and prioritized against other risks identified by your group and those identified by other groups. The goal is to determine what compliance risks is CHW most vulnerable to and how well controlled those risks are. Once that assessment is completed we can better determine where we need to deploy our resources to best address the areas of greatest vulnerability. This risk identification process is step one. You will also be asked to participate in the assessment process. You will receive more information about this later.

Compliance Risk Identification:

List 3-5 “worst case” risks. Think about those compliance risks that could, if realized, significantly effect CHW’s mission or reputation, result in significant financial liability, and/or expose CHW to significant legal exposure. Use the following questions to help you identify compliance risks:

- What are the biggest risks facing CHW and/or your department now? In the next three years?
- What key processes are at the greatest risk or breaking?
- If CHW or your department has a failing, what is it?
- What are the most important things you are working on, how could they fail?
- What are the things CHW and/or your department does not do very well?

Briefly define the risk. Note if the risk is related to coding the service, billing, documentation, competency of staff, clarity of regulations, complexity of process, communication with other departments, etc. Finally, please give a brief description of how well you feel the risk is currently managed and any controls we currently have in place to manage the risk..

Risk 1:
Definition/Description of Risk:
How well is this risk currently managed or controlled?
Risk 2:
Definition/Description of Risk:
How well is this risk currently managed or controlled?
Risk 3:
Definition/Description of Risk:
How well is this risk currently controlled?
Risk 4:
Definition/Description of Risk:
How well is this risk currently controlled?
Risk 5:
Definition/Description of Risk:
How well is this risk currently controlled?

**Compliance Risk Assessment
Scoring Matrix
Fiscal Year 2007**

Score	Impact to the Organization			Vulnerability		Controls
	Mission	Financial	Legal	Likelihood of Risk	Detectability	
1	Little or no mission risk at either System or hospital level	Loss is less than 3 million of net revenue	Technical violation of law or regulation. Little or no fine probable.	Low risk, unlikely to occur. Historical and industry experience show low likelihood of occurrence.	Failures are likely to be detected. Process is directly supervised. Automated safeguards for identifying variations/errors.	Internal and/or automated controls proven to be highly effective in mitigating all risk'
2	Slight mission risk. Possible bad press but no significant patient, physician, constituent consequences.	Loss between 3-6 million of net revenue	Civil fines and/or penalties up to \$100,000 possible, but little risk of exclusion, CIA, loss of accreditation/licensure.	Slight risk, historical industry experience shows some likelihood however not experienced in organization to date; simple well understood process; competency demonstrated - less likely to fail	Slight risk that failure will be detected - process failures; moderate safeguards in place; partially automated process with moderate management oversight	Routinely audited and/or tested. Performance metrics are established, routinely reviewed and show little variation. Current policies and procedures exist. Employee training and competency established. Well-prepared to manage this risk appropriately based on implemented risk management plans.
3	Moderate mission risk. Probable bad press. Probable modest physician, patient and/or constituent fallout.	Loss between 6-30 million of net revenue.	Civil fines and/or penalties up to \$1,000,000 probable. Modest risk of exclusion, CIA possible.	Moderate risk of occurrence within next 12 months; isolated to single facility	Moderate risk that failure will not be detected. Limited safeguards in place to identify failure prior to occurrence. Partially automated process with limited management oversight.	Periodically audited and/or tested. Corrective action plans developed and tested for effectiveness. Limited performance metrics established. Risk management plans expected to manage the risks appropriately.
4	Significant negative press coverage. Significant patient, physician and/or constituent fallout.	Loss between 30-60 million of net revenue.	Civil fines and/or penalties up to \$1,000,000 probable. Loss of business unit licensure/accreditation. Exclusion possible. CIA probable.	Significant risk; likelihood of occurrence in up to 50% of facilities; complex and/or manual process	Significantly difficult to detect prior to failure; manual safeguards in place to identify failures; no automated processes; periodic management oversight	Management Review and approval required. Process not audited or tested or infrequently audited or tested. Limited policy or procedure guidance. Some risk management plans or steps undertaken; not reasonably expected to manage the risk appropriately or fully.
5	Extensive and prolonged negative press coverage. Significant sponsor/board questions of management. Extensive patient, physician, and/or constituent fallout.	Loss greater than 60 million of net revenue.	Criminal conviction and/or exclusion of hospital or System probable. Fines, penalties and or legal exposure in excess of 1% net revenue. CIA certain.	High risk of occurrence. Likely to occur in next 12 months. Highly complex process with numerous hand offs. Relies on extensive specialized skills. Note: should assume natural/manmade disasters are likely to occur in next year.	Extremely hard to detect prior to failure. Highly automated with little or no human intervention, oversight or control. No built-in safeguards, cross-checks, or other mechanisms to identify errors/failures prior to submission/completion.	No formal controls in place. No risk management plans or steps in place currently.

