ENTERPRISE RISK MANAGEMENT
....Surviving the Compliance Storm: Beyond a Risk Assessment
Partnering with the C-Suite to Develop an Enterprise Risk Management System

Steve Sample, MS, CHC
Assistant Medical Center Director

Lisa Moore, MHA, CHC
Compliance and Business Integrity Officer

Course Objectives

• Develop an approach for identifying, evaluating, responding to, and monitoring risks and opportunities. This method helps you develop a systematic approach to analyze both the internal and external environmental factors impacting your enterprise.

• How to partner with clinical stakeholders to identify risks impacting the enterprise and discover ways to develop a risk response strategy and cascade these risks and mitigation strategies throughout the organizational structure with “C” Suite buy in.

• Demonstrate an Enterprise Risk Management model which includes a risk register, risk assessment tool, sample interview questions and risk project plan. These tools will help illustrate a methodology used to implement a comprehensive enterprise risk plan.
Polling Question

• Data from the audience
  • Who is attending
    • Compliance Officer; Risk Manager; Quality Manager; Other

Polling Question

• Data from the audience
  • What type of entity do you work for...
    • Healthcare Network; Hospital; Group Practice; SNF; Vendor; Other
Polling Question

• Data from the audience
  • Do you feel that your current risk assessment process fully captures your entity’s risks
    • Yes/No/Unsure

Objective 1

• Develop an approach for identifying, evaluating, responding to, and monitoring risks and opportunities...
  • Why did we make the change
  • Organizational structure context
  • Stove-piped (“Silo”)
  • Environmental scan
Why did we make the change

• Antiquated methodology for identifying risk—narrow focus/not comprehensive
• Lacked system-wide approach
• Multiple reporting channels for risk
• Corporate level identification of risk trends—small or large health systems
• Capture quality activity to make it a true enterprise risk capture
• Provide C-suite with a tool to truly quantify risk

Organizational Structure
Stove-Piped

• How services are organized—people worked vertically

Environmental Scan

• Preparation
  • OIG Reports
  • Policy Reviews
  • Identify Who, What, When, How
  • Developed risk facilitation questions

• Execution
  • Meet with individual services/departments
  • Capture and quantify the data
Objective 2

• How to partner with clinical stakeholders and C-Suite...
  • Our journey...
    • It started with an idea...
    • Consulted with C-suite mentor
    • Solicited broader C-Suite concept development
    • Formulated a team of change agents
    • Process finalized...key component is standardized definitions and questions

C-Suite Discussion

• C-Suite Mentor Discussion
• C-Suite Concept Overview/Development
Organizational Structure Review

- Identified which risks belonged to the following committees:
  - Compliance Advisory Committee (focused on business integrity and policy issues)
  - Quality, Safety, and Value Executive Board (focused on patient safety, quality of care issues)
- Both committees ranked/selected top 5 to track actions as a part of the committee
- Identified Mitigation Activities and Responsibilities
- Established committee follow-up schedule

Team

- Compliance Officer
- Risk Manager
- Patient Safety Officer
- Chief, Quality, Safety, and Value
- Year 2 added Health Administrative Services Chief (Business Operations)
Developed/Finalized Plan

• Developed Methodology
• Establish Schedule
• Identify Standardized Definitions*
• Standardize Data Capture Tool*
• Develop Prioritization/Formulas-Methodology*
• Develop Questions

*Veteran’s Health Administration (VHA) Office of Compliance and Business Integrity (National Office)

Polling Question

• Which of the following do you feel would most appropriately capture risk likelihood...
  • Standard Compliance likelihood definition
  • The Joint Commission likelihood definition
  • Other
Risk Likelihood Terminology Defined

• Here is what we used...

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very Unlikely</td>
<td>Rarely encountered; almost no likelihood of occurrence (~10%)</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>Hypothetically possible; but uncommon in similar sets of circumstances (~30%)</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>Even likelihood of occurrence; often encountered in similar efforts (~50%)</td>
</tr>
<tr>
<td>4</td>
<td>Highly Likely</td>
<td>Expected to occur; typically occurs in efforts of a similar nature (~70%)</td>
</tr>
<tr>
<td>5</td>
<td>Near Certainty</td>
<td>Most always encountered; practically unavoidable (~90% or greater)</td>
</tr>
</tbody>
</table>

We are Considering incorporating these definitions from The Joint Commission SAFER Matrix ...

Likelihood to Harm

- **High:** Could directly lead to harm without need for other significant circumstances or failures.
  - Likely

- **Moderate:** Could cause harm directly, but more likely to cause harm as a contributing factor in the presence of special circumstances or additional failures.
  - Possible

- **Low:** Undermines safety/quality or contributes to an unsafe environment, but very unlikely to directly contribute to harm.
  - Rare

The Joint Commission
find a color one
Definitions

• Inherent Risk: (OMB Circular A-123) “Inherent risk is the exposure arising from a specific risk before any action has been taken to manage it beyond normal operations.”

• Likelihood: the probability that a given risk event will occur (the likelihood of the “if” and “then” of your risk statement)

• Severity of impact: related to the impact on the ability to meet mission goals & objectives, quality performance, compliance with regulations, applicable laws & directives, and safeguard reputation

Risk Tool

<table>
<thead>
<tr>
<th>Risk Name (Req’d)</th>
<th>Risk Statement (If, Then)</th>
<th>Impact</th>
<th>Likelihood</th>
<th>Inherent</th>
<th>Controls</th>
<th>Residual</th>
<th>Compliance Requirement</th>
<th>Current Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10
Calculations

Impact x Likelihood = Inherent Risk
Inherent Risk/Controls= Residual Risk

(Tool also captures current responses/comments as they relate to current risk mitigation)

Polling Question: How Do You Know...Mitigating Risk

• How do you know...is it an absence of something?
  • Litigation
  • Reputation
  • Absence of OIG interaction
  • Customer Satisfaction Ratings
  • Other
  • All of the above
Objective 3

• Demonstrate an Enterprise Risk Management model...
  • Our organizational governance structure
  • Demo of Risk ERM process and tools
### Lessons Learned

- **Standardized Definitions**
- **Importance of Psychological Safety**
- **Good Communication**
- **Documentation of Risk Status and/or Disposition**
- **Utilization of Standardized Tool**
- **Willingness to refine your process and tools**
- **Risk Severity and Risk Stratification is in the eyes of the beholder...different vantage points...different lens...**
Benefits

• Scanning the environment for similar risks
  • Classify similar risks to identify problem/focus areas
• Capture the pulse of the staff
  • Ground up identification of concerns that might not otherwise rise to the C-Suite
• Empower the staff to raise concerns
• Connect departments
  • Facility Management example

Questions???
You Survived the Storm!