

# Proactive vs Reactive in Risk Management “Ring the Bell”

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# Disclaimer

The views and opinions expressed during this presentation are those solely of the presenters and not those of any company or entity with which they may be associated.

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*“Could you use a crystal ball for risk management?”*

- **Video** ▶ 1:47



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# OBJECTIVES

To identify challenges and explore practical experiences in **risk management**; while conducting an effective risk assessment and Monitoring and Auditing Plan.



To identify **proactive risk management**, which consists of mitigating the risks of threat events before these might possibly occur and negatively impact the organization.

To identify **reactive risk management** which consists of responding to risk events as they occur to mitigate negative impacts to the organization.

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## Key Definitions

**Risk** – A situation involving exposure to danger, hazard, threat or loss.

**Risk Management** – A systematic process of identifying and assessing an organization risks and taking actions to protect against them.

**Risk Assessment** – A process or method to identify and assess the probability of risk occurring and their potential impact.

**Proactive Risk Management** – An adaptive, feedback, and controlled approach that focuses on mitigating the risks of threats before they may occur and negatively impact the organization.

**Reactive Risk Management** – A response based risk management strategy, which is enacted post occurrence of a risk or until a crisis surfaces to mitigate the impact to an organization.

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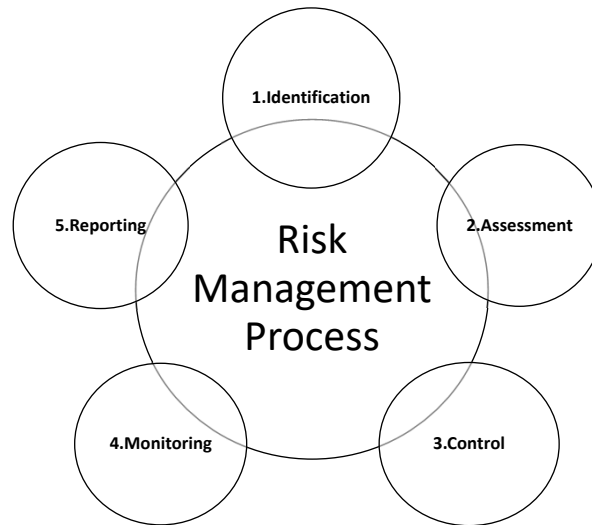
# Effective Risk Management Program



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## Risk Management Five Key Stages



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## Why is it important?

- Comply with regulatory requirements
- Limits exposure and save cost
- Increased certainty and fewer surprises
- Better service delivery
- Prevent or reduce Compliance concerns
- More efficient use of resources
- Improved planning and decision making
- Proactive vs Reactive

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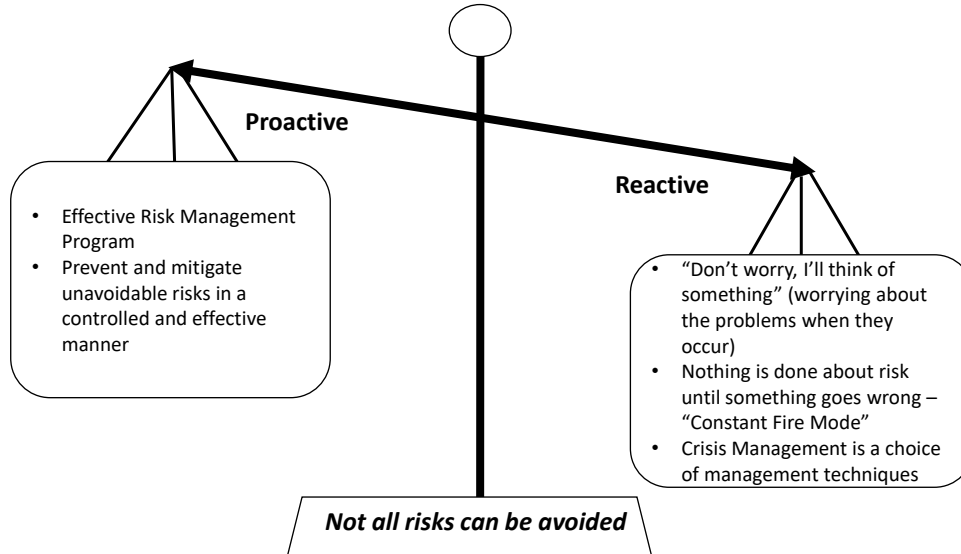
## Key Challenges for Managing Risks

- Inability to Evaluate risks properly
- Inability to predict likelihood of risks; creating a bigger risk
- Struggle to define risk and understanding context, hindering efficiency
- Risk assessments aren't collecting valuable information or are not being conducted at all
- Accountable staff not taking ownership or understanding processes
- Lack of support from Leadership

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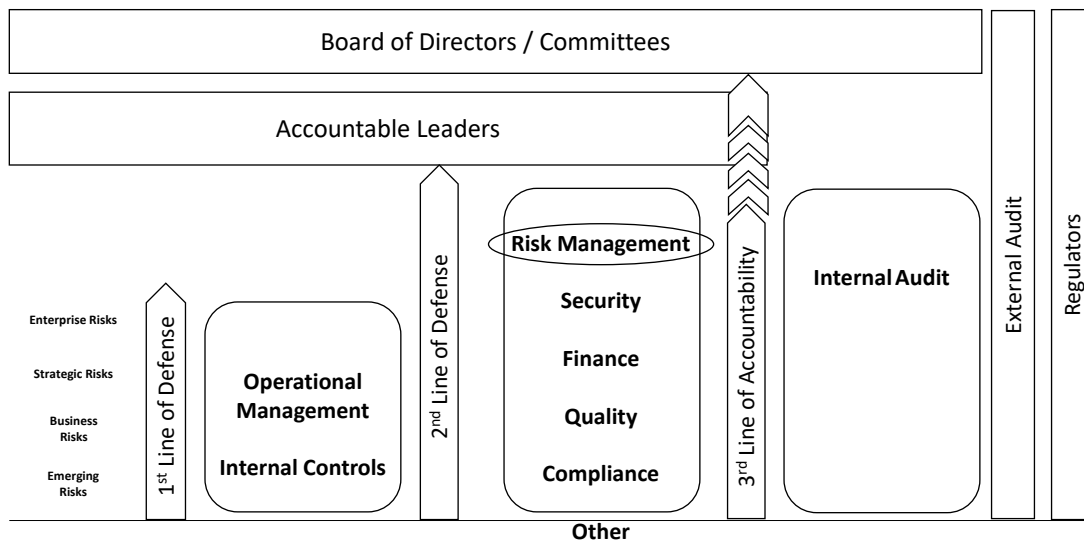
# Proactive vs Reactive



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# 3 Lines of Defense Model



Adapted from ECIA/FERMA Guidance on the 8th EU Company Law Directive, article 41

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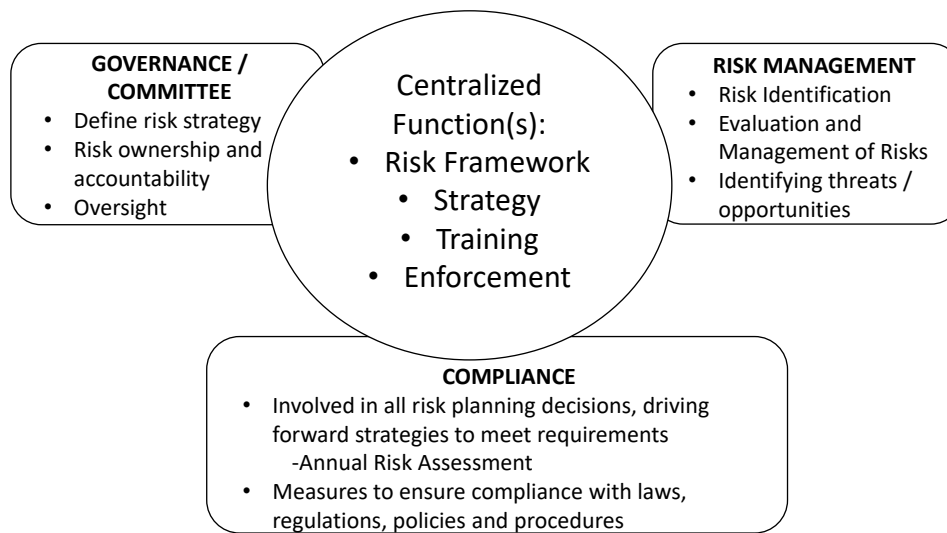
# Best Practices

- Centralized risk management function
- Risk owners identified/trained
- Fixed/measurable objectives and controls
- Annual Risk Assessment
- Annual Audit Plan
- Risk Management Dashboards
- Risk Management Committee
- Risks escalation Process

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# Governance, Risk Management, and Compliance



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# Risk Assessment

- A process or method to identify and assess the probability of risk occurring and their potential impact
- Cross functional approach representing different functions in an organization to identify and analyze potential events in each functional area and how they may negatively impact the organization
- Analyzes what can go wrong, how likely it is to happen, what the potential consequences are, and help an organization determine risk mitigation steps and establish controls
- Conducted annually; Beginning of 4<sup>th</sup> quarter

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# Auditing and Monitoring

Performed day to day (ongoing) and is a key mechanism for **tracking overall performance** and **identifying potential problems**

A **formal** systematic and disciplined **approach** designed to **evaluate and improve** the **effectiveness** of processes and related controls, especially those in risk areas.

**Identify risks** in the organization, analyze and **evaluate exposure**, prioritize those risks and **develop plans of action** to address the risks.



Monitoring



Auditing



Risk Assessments

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# Risk Management Committee

- Cross-functional Committee with leaders from each line of business
- Oversees the risks and engages in risk management
- Helps educate, formalize, identify, and monitor all types of risks
- Assists in the implementation of effective risk management practices;
- Monitors specific risk areas related to noncompliance with laws, regulations, and contracts;
- Asses financial risks and reporting matters
- Meets Monthly at a minimum

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# Risk Committee Reporting

**Business Unit**

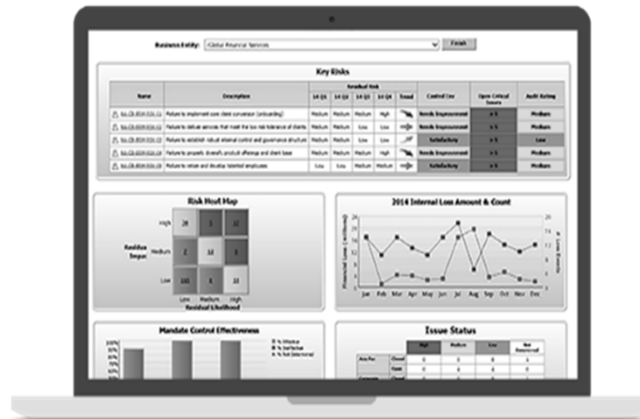
*Risk Owner:*

Risk	Performance						
Key Challenges & Corrective Action	Key Dates						
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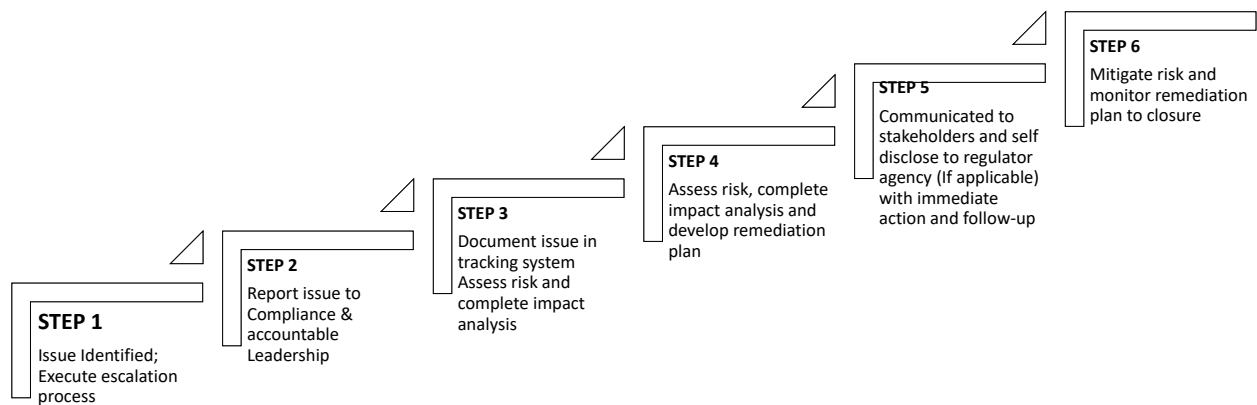
# Sample Risk Management Tools



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# Risk Escalation Process



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# Scenarios

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## Recap – Closing Thoughts

- Proactive Measures:
  - Establish a committee that focuses on risk management
  - Leveraging executive endorsement to enforce program initiatives
  - Getting input from leadership
  - Training accountable leaders and risk owners
  - Develop effective dashboards
  - Open lines of communication
- Reactive Measures:
  - Establish an effective escalation process
  - Mitigation – plan for resources in anticipation of fire fighting
  - Fix on failure – resources applied when risks strike
  - Crisis management
  - Open lines of communication

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Questions?

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