

HCCA Regional Conference
September 29, 2017
Risk Management Panel Speakers –
Vickie Yamasaki, Michele J. Johns, Mike Salazar

EVALUATING AND ASSESSING RISK -
AN ENTERPRISE RISK MANAGEMENT
APPROACH



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MAKING ERM SUCCESSFUL

Vicki Yamasaki
CEO,
Yamasaki ERM Solutions

ENTERPRISE RISK MANAGEMENT ...

- ▶ Is a discipline to **manage risks** and **seize opportunities** related to the achievement of strategic objectives.
- ▶ Encompasses a **360° view**.
- ▶ Is a top-down driven process.
- ▶ Aligns with the strategic direction of organization.

Contributes to Improved Decision Making



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KEYS TO SUCCESS

What to do	What to avoid
<ul style="list-style-type: none">▶ Get buy in from top▶ Make your CEO/CFO your advocate▶ Think BIG, think strategic▶ Tie identification/scoring into strategic priorities of enterprise▶ Report top 10 risks to board/top mgmt	<ul style="list-style-type: none">▶ Survey managers only▶ Start with the audit risk register▶ Keeping the identified risks to yourself▶ Report only operational and compliance risks▶ Report laundry risks of risks

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AUDIENCE OPINION

Which do you believe is more effective risk management?:

- A) Identifying & discussing risks once a year?
- B) Jumping on an issue when it surfaces?
- C) Identifying/scoring risks with top/middle management periodically in the year
- D) Developing strategies to address top risks?
- E) B, C & D

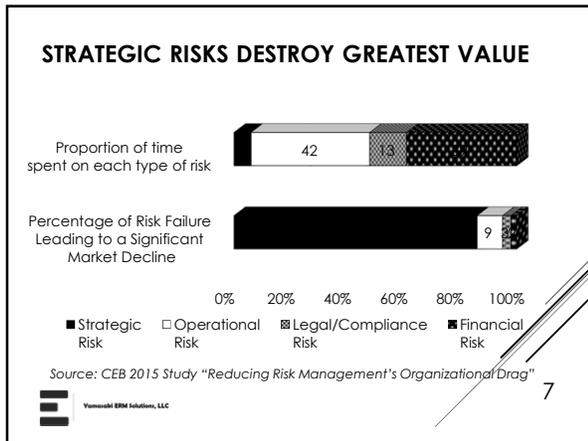
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STRATEGIC VS. THE OTHER RISKS



Strategic risks are often ignored, even though they cause the most financial loss

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STRATEGIC RISK – A DEFINITION

Strategic risk is the risk that a company's strategic objectives and business strategy are flawed or may be ineffectively executed. It is also the risk of being unable to adapt to change in the environment. Such risks have the potential to expose a company to not achieving its ultimate goals.

Yamashi ERM Solution, LLC

- ### EXAMPLES OF STRATEGIC RISKS
- ▶ Business model
 - ▶ Distribution strategy
 - ▶ Business scale
 - ▶ Customer Experience
 - ▶ Organizational change management
 - ▶ Missed strategic opportunities
 - ▶ Brand/Reputation
 - ▶ Emerging regulatory, legal, financial, tax, consumer trends
 - ▶ Business concentrations
 - ▶ Mergers & acquisitions
 - ▶ Product development
 - ▶ Execution of Strategy
 - ▶ Strategic inaction
 - ▶ Innovation
- Yamashi ERM Solution, LLC

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FOR QUESTIONS



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ERM: How do you do it? The BIG PICTURE!

HCCA
 Friday, September 29, 2017
 Michele J. Johns, JD, CPHRM
 Vice President and Chief Risk Officer, Indiana University Health, Inc.

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Venezuela

ERM would have helped!

- Venezuela could have used some ERM
- Venezuela has one of the world's largest oil supplies
 - When oil prices were high times were good
 - Oil prices are now low, times are bad
 - Economy is tanking (pun intended);
 - Government is in turmoil
 - People are starving
 - ERM would have considered the possibility that oil prices could go down and that someday the oil could run out.
 - ERM would have helped Venezuela to consider mitigation such as diversity of investments, creating new business unrelated to the oil market, saving for a rainy day

ERM is about the big picture!



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Why did no one tell me about the BIG PICTURE?



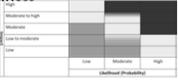
- Organization really needed an ERM program
- Studied all of the various ERM models
 - COSO – Committee of Sponsoring Organizations: Accounting, Financial and Auditing groups
 - Casualty Actuarial Society
 - RIMS Risk Maturity Model
 - ASHRM Pearls: Enterprise Risk Management
- Countless seminars and sessions on ERM
 - Could understand the concept – sort of
 - Always left with no more clarity than when I arrived
- Many vendors wanted to sell ERM risk assessments

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ERM Epic failure



- Chief Auditor, Chief Compliance Officer and Chief Risk Officer - worked very hard, but first effort was failure.
 - Senior leadership/organization had no foundation or knowledge of ERM
 - No definitions, no objective, no top down, bottom up approach
 - We told the organization what the risk were.
 - Tried to identify and score all of the risk ourselves – no risk owners, no subject matter experts, no fresh eyes
 - Scoring was very basic and subjective: Married to heat maps
 - 1-5 likelihood; 1-5 impact
 - Really was not an ERM process, rather just a work plan for normal and ordinary course of business
- NO BIG THINKING
 - Health Care Reform
 - Domestic Terrorism



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Finally, a wise woman told me about the BIG PICTURE

- Need to separate normal course of business work = while part of ERM it is not ERM
 - For clinical risk management – incident reports, RCAs, education
 - Quality – falls, infection prevention
 - Compliance – planning for new regulations, auditing for compliance
 - Internal Audit – billing, coding, internal operations
- Focus on the big picture – It's the Strategy



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Big Picture things you hope to see on a risk scoring matrix

- The big things
 - Loss of tax exempt status
 - Loss of accredited status
 - Large physician group leaves
 - Major Payer cuts your system out of its network
 - Health Care reform changes and you miss out on Medicare, Medicaid or DSH payments
 - Loss of an essential building/service
- Important things
 - Natural disasters/Emergency Management
 - Workforce Issues
 - Opioid crisis/behavioral health
 - Population Health management
 - Terrorism



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Top Enterprise Risks

Risk Category	Risk Description	Risk Matrix Score	Identified on Executive Risk Survey	Risk Owner
1 Technology	or related clinical systems Prolonged outage of the EMR	1350	11.11% of responses	Mark Lantzy
2 Technology	Data or Device Corruption (i.e. ability to maintain device and data integrity)	1080	11.11% of responses	Mark Lantzy
3 Operational	Safety, Security and Emergency Management of facilities, properties and leased premises (i.e. protection of patients, team members and visitors as well as organizational information and assets)	720		Al Gattaman
4 People	Ability to attract, retain and engage talented team members in sufficient numbers to reach sustainable levels and to provide and grow current services, as well as new and innovative services.	648	23.33% of responses *Note: frequently mentioned risk	Liz Dunlap
5 Operational	Ability to implement change required to meet Long Range Plan	562.5		Al Gattaman / Justin Alvey
6 Operational	The Ryan Center	486		Tory Casbor/Neil Pickett
7 Strategic	Competition and Market Share: Complacency	450	9.26% of responses	Jay Kleinmeyer
8 Operational	Prolonged unavailability of the Central Laboratory	432		Al Gattaman / Joe Meyer
9 Financial	Appropriate development and sustainability of IU Health Plans and MDWise	412.5	17.59% of responses	Ryan Kitchell/Mark Lantzy
10 Financial	Realization of continued unfavorable economic value of the Population Health Risk Management programs	405	4.63% of responses	Jonathan Gottlieb

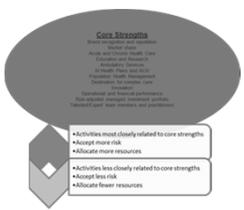
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Strategic Goals and Objectives

Big Picture Strategy

- ERM should be aligned with supporting your strategic goals and objectives.
- These change over time so you have to be nimble and flexible.
- For example, if a strategic goal is: **Supporting new knowledge to cure disease and improve care of chronic conditions**
 - Are the organization's services and businesses geared toward supporting this objective. If they are not, why are you utilizing resources and time if the service/business is not aligned?
 - Alignment – recruiting top talent, partnering with third parties for technology and equipment, attracting patients for treatment
 - Not aligned – Getting into the property management business

Align with Core Strengths



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Benefits of ERM

- Creation of a positive, risk focused organizational culture in which people understand their role in contributing to the achievement of objectives and goals.
 - Risk Owners that invite their team members (Risk Contributors) to participate in the risk identification and scoring raise risk awareness exponentially. More folks thinking about risk and its impact on the organization.
- Ability to prioritize the work and thoughtful allocation of resources
- Helps organization make risk informed decisions
- Protects organization from what may come - Venezuela
- Senior leaders appreciate risk scoring as they cannot possibly know everything going on in the organization
- Standardized risk reporting

Healthcare ERM – Top Strategic Risks

Prepared for:
**Health Care Compliance Association
Regional Conference Indianapolis**

Presented on:
September 29, 2017

Presented by:
Mike Salazar, ARM, VP Manager of Client Services

What keeps health system CEOs up at night?

- Preparing for potentially changing Medicaid reimbursement models and other policy issues
- Implementing population health and value-based care
- Maintaining or improving margins
- Recruiting and retaining top talent, including health care leaders
- Keeping up with evolving technology and cybersecurity risks
- Adapting to changing consumer demands and expectations
- Integrating business vertically
- Triaging patients to direct them to the appropriate level of care
- Reducing cost and inefficiencies across the system

Source: Deloitte's 2017 Survey of US Health System CEOs

Strategic Issues Emerge over the past 10 years

Top health industry issues of 2007	Top health industry issues of 2017
Obesity is the new smoking, with employer incentives considered to push employees to lose weight.	Diet-related health issues, including obesity, are addressed by health organizations and employers focusing on nutrition.
Industry embarks on digitalization with slow electronic health record (EHR) uptake. Less than 9% of hospitals have a basic EHR system.	Nearly 90% of hospitals have basic EHRs. The question now is how to use emerging technologies such as blockchain, drones and artificial intelligence.
Volume to value is in early days, as CMS begins its push to tie payments to quality and drive the industry toward greater transparency.	Volume to value is in full swing, CMS and private plans are nudging providers to take on more downside risk.

Source: PwC Health Research Institute – Top health industry issues of 2017

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Strategic Issues Emerge over the past 10 years

Consumer-directed health plans start to grow. Just three million Americans have consumer-directed plans.	Millions of Americans are in high-deductible health plans, leading providers to modernize their payments systems to handle the surge in consumer credit card charges.
Retail clinics are in their infancy. In 2006, 90 are in operation and about one in 10 consumers have been to one.	More than 3,000 retail clinics are in operation. One in three consumers have visited one. This drift to new venues is part of the trend prompting medical schools to rethink how they train young doctors.
Drug prices draw scrutiny as 42 blockbuster products lose their patents in 2007, representing \$82 billion in sales.	Drug prices again are facing public and political attention. Industry moves to regulate itself in response to pressure.

Source: PwC Health Research Institute – Top health industry issues of 2017

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HEALTHCARE REFORM – ACA??

Figure 2: Under any healthcare reform, consumers care most about their premiums

Consumers pointed to the cost of their monthly premium, coverage of services and medications, and provider network as their most important considerations when choosing a plan from a health insurance company.

Factor	Percentage of consumers who said factor was important
Cost of my monthly premium	69%
Coverage of services and medications	66%
Doctors and hospitals in the network	59%
Size of my deductible	49%
Access to care locally	23%
Insurance company's name and reputation	15%
Help managing my conditions	14%
One-on-one help to help estimate costs	7%

Source: PwC Health Research Institute Consumer Survey, 2016

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