Growing a Risk Intelligent Organization: A new framework for risk assessment

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Compliance

A systematic approach and series of controls to ensure the organization and its employees comply with applicable substantive laws, rules and regulations

(Confusing-Complex-Counter Intuitive)

Mitigation is often “after the fact”
RISK ASSESSMENT

Risk Assessment
Is the identification, measurement and prioritization of likely relevant events or risks that may have a material consequence on an organization’s ability to achieve its objectives.

CHALLENGES
ENTERPRISE RISK MANAGEMENT

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. Essential to this approach is an understanding that risk can be managed to gain competitive edge.

(Risk Management Handbook for Health Care Organizations (4th edition))
Essential Principles of ERM

1. Recognize a broad range of risks confronted by the organization and acknowledge that those risks represent either sources of capital or potential for losses.

2. A comprehensive, or holistic approach is critical to managing the diverse risks. An enterprise wide view recognizes all of the potential threats to the organizations business and strategic objectives.

(ECRI Risk Management reporter Dec.1-6, 2002)

Risk Categories

- Operational
- Financial
- Human
- Strategic
- Legal/Regulatory
- Technological
Healthcare Compliance Risks

- Physician Contracting
- Joint Ventures
- Meaningful Use
- Quality Process Improvement
- ICD 10 Transition
- Accountable Care Organizations
- Denials Management
- Two Midnight Rule
- IT Application Post Implementation
- 340B Drug Pricing Program

Healthcare Risks (cont.)

- Physician Practice Revenue Cycle
- HIPAA
- Financial Statement Close Process
- Billing & Collection
- Third Party Vendor Oversight
- Charge Capture
- Health Insurance Plans
- IT System Access
- Payroll
- Purchasing
- Acquisitions
Risk Intelligence

“The organizational ability to think holistically about risk and uncertainty, speak a common risk language, and effectively use forward-looking risk concepts and tools in making better decisions, alleviating threats, capitalizing on opportunities, and creating lasting value.”

--Leo Tilman, Columbia University

Intelligence should be first step

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However: Information gathering is often random and unplanned….

Changing the Paradigm….
The Risk Intelligence Process

- Assess risk universe across the organization
- Merge the various risks into risk registry utilizing cross-functional representation and discussion
- Provide ongoing, deliberate collaborative oversight of common risk infrastructure, mitigation, and reduction.

Risk Intelligence Organization

Risk Intelligence Management

- Risk Ownership
- Risk Data, Updates, & Feedback
- Infrastructure and management
- Risk Governance
True Risk intelligence requires...

Establishing a culture of information sharing, exploration, questioning…

Intelligence Gathering

Information

- Encouragement for new Information
- Discussion of Information

More information

- Practice based on information
Become Intelligence “Savvy”

- Share and discuss risks
- Ask questions
- Allow leaders to not be experts
- Lead by example
- Look for warning signs—they do not always come from the obvious
- Bring intelligence to the table in concerted effort
- Brainstorm

Tool for Risk Intelligence Implementation

Scenario Planning:

is a tool for motivating people to challenge the status quo, or get better at doing so, by asking ‘What if?’ Asking ‘What if?’ in a disciplined way allows you to rehearse the possibilities of tomorrow, and then to take action today empowered by those provocations and insights."

- Fulton and Scearce (2004)
### How Scenario Planning Helps

<table>
<thead>
<tr>
<th>Improves planning</th>
<th>Resolves conflict</th>
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<tbody>
<tr>
<td>Challenges mindsets</td>
<td>Improves organizational dialogue</td>
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<tr>
<td>Lends coherence</td>
<td>Brings back choice</td>
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### True Risk Intelligence: Merging the two concepts

<table>
<thead>
<tr>
<th>Intelligence Gathering</th>
<th>Scenario Planning</th>
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Having Risk Intelligence

“….is more than understanding the rudiments of probability theory and human psychology. It is also about being able to make judgments when the data are not available, when the situation is very complex, or when there isn’t time to calculate the risks.’

- Gerd Gigerenzer .The Economist.
  “Risky Business” 5/28/14
Questions

Questions are guaranteed in life; Answers aren’t.