Enterprise Risk Management

Jonathan Brouk
AVP Strategic Planning
Children's Hospital New Orleans
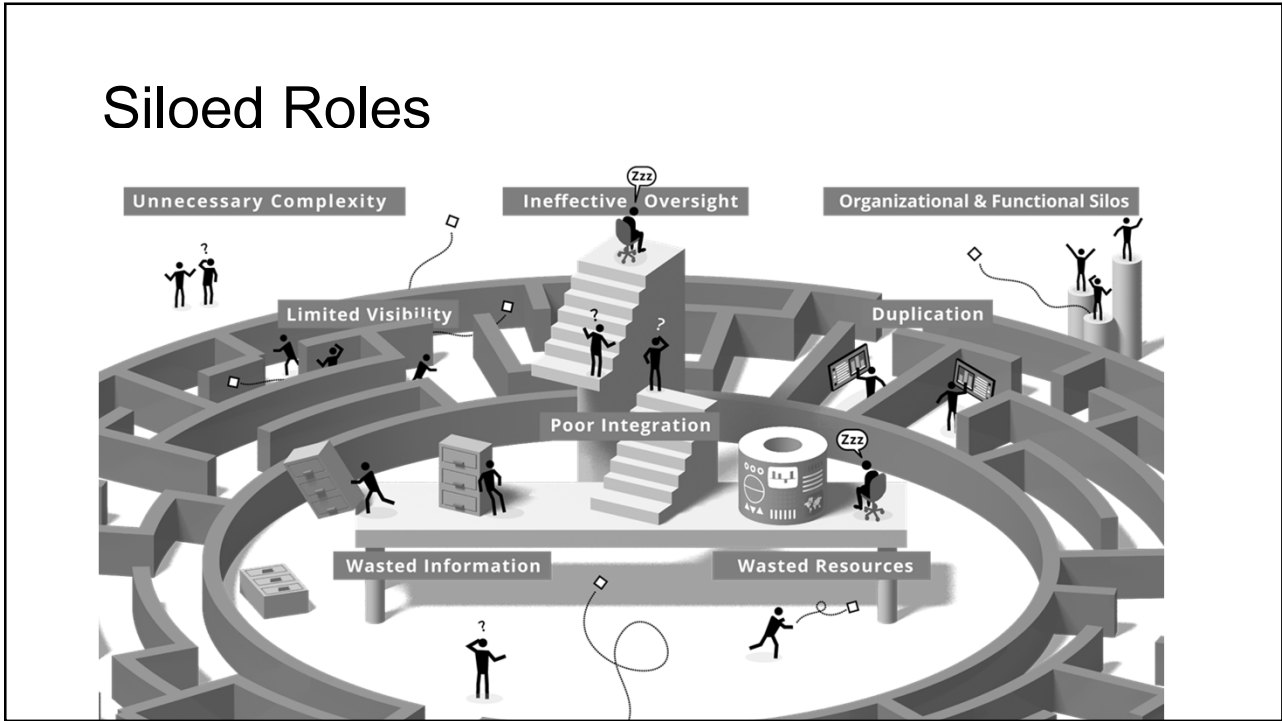
Eden Ezell
VP & Chief Compliance Officer
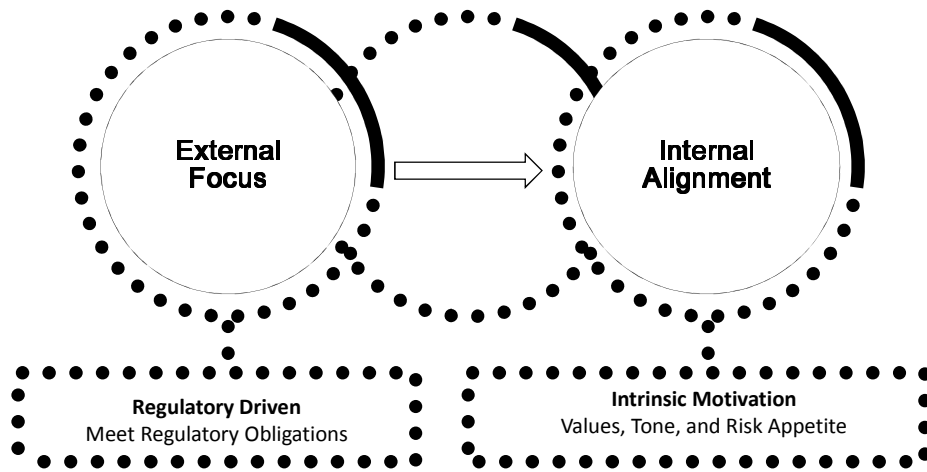Ochsner Health System

C. Joyce Hall
Member
Watkins & Eager PLLC

Objectives

- Discuss the motivation for moving toward an ERM solution
- Outline the structure and composition of an ERM committee
- Provide an overview of Key Risk Indicator Development

Siloed Roles

Evolution of Healthcare Compliance Function

True Value of an Effective Compliance Program

The "true value" of an effective compliance program does not derive solely from program implementation and the program's ability to protect from those risks identified by the organization; instead, "true value" is derived from the organization's implementation of best practices, which attribute to improved organizational performance and patient care.

-Huron Consulting Group

Enterprise Risk Management

By collaborating to address overlapping issues and functions, leaders are more efficient in addressing shared interests and better able to focus on their distinct functions.

2

Option 2

Create a mechanism for collaboration between Compliance, Risk, and Quality managers

What is Enterprise Risk Management?

An interdisciplinary process through which an organization identifies, analyzes, prioritizes, and addresses the risks and opportunities that can affect the achievement of its strategic objectives, whether in positive or negative ways.

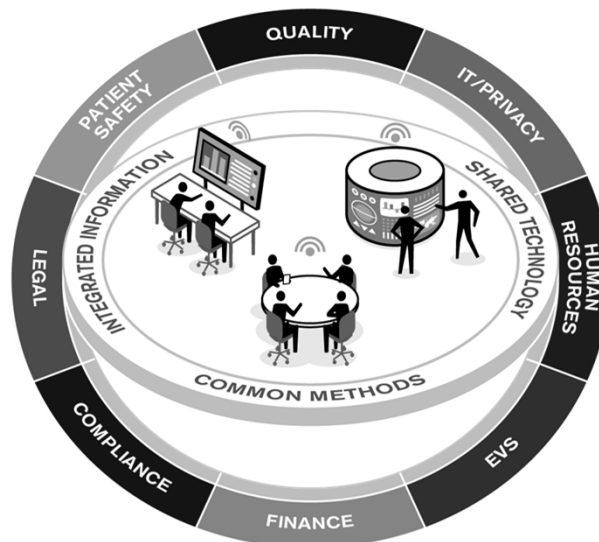-American Health Lawyers Association, Enterprise Risk Management for Healthcare: Where & How to Begin

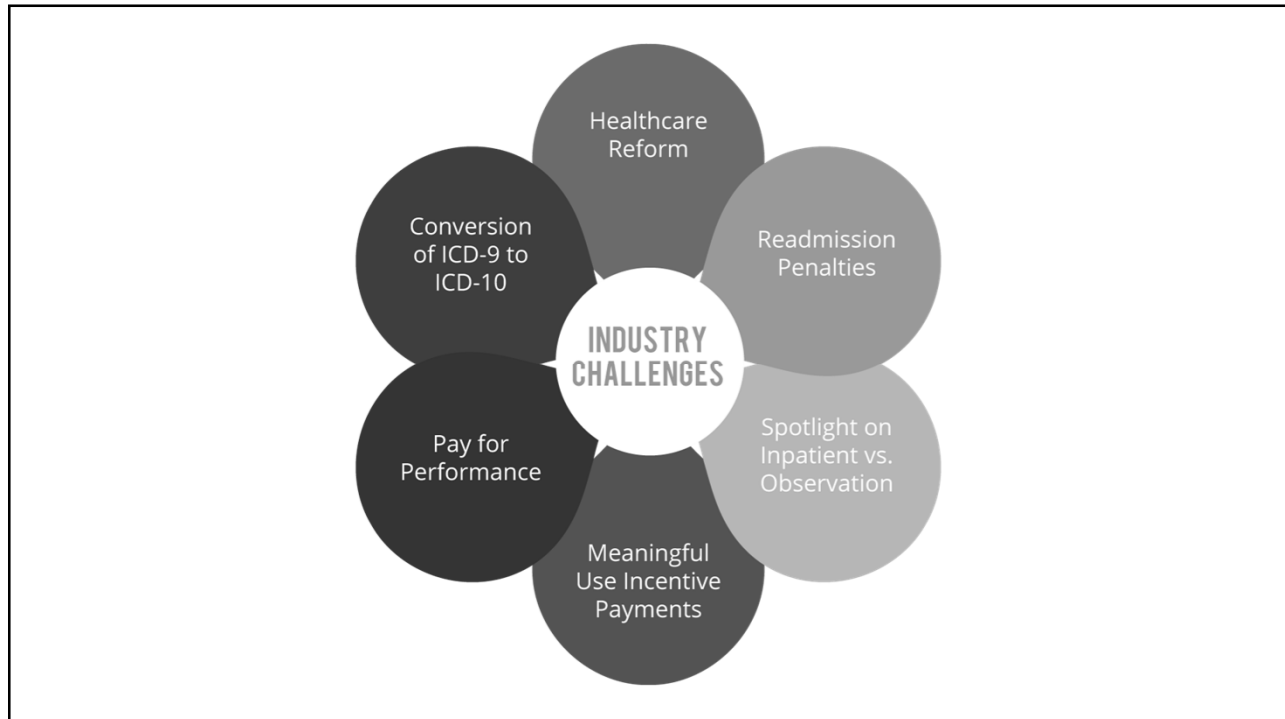| *Traditional* **Risk Management**	*Enterprise* **Risk Management**
Risk = negative outcome imposed by an external, or third-party force	*Risk = any issue affecting the organization's ability to meet its objectives*

Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM)

- Utilizes a process or framework for **assessing**, **evaluating**, and **measuring** all of an organizations risks

- Any event that can adversely affect the objective/organization
    - Asset preservation
    - Failure to grow
    - Failure to execute on opportunities

- Consider designation of Chief Risk Officer

Areas of Risk

Medicare Compliance	Internal Financial Controls	HIPAA Privacy
Data Security	General Liability / Property & Casualty	Human Resources
Safety & Security	Regulatory	Healthcare Fraud & Abuse

Leading Trends for Effective ERM

- Increased focus on risk "intelligence" and risk assessment
- Analytics and other predictive tools for early detection of – and response to – emerging risks
- More frequent and dynamic assessment of top risks
- Management-level and Board-level accountability for the ERM process and for each key risk
- Integration of risk management and strategy / major initiatives
- Improved discipline and better documentation
- Key Risk Indicators vs. Key Performance Measures

Poll Question: Do you have an enterprise risk function?

1. Yes
2. No

ERM Committee

Responsibilities

- Provide education/in-services regarding changes in rules and regulations of relevant agencies
- Provide clarification and guidance on current regulations
- Assess processes to determine if facilities are in compliance with current regulations
- Standardize processes across organization, as appropriate
- Share methods, technology, and best practice
- Create toolkits for continued readiness
- Develop and monitor Key Risk Indicators

Agencies/Areas Monitored

The Joint Commission (TJC)	Centers for Medicare and Medicaid Services (CMS) Conditions of Participation	Medicare Compliance (Billing/Coding)	Office of Inspector General (OIG)
Department of Health and Hospitals (DHH)	HIPAA / Privacy	Department of Insurance	Office of the National Coordinator (ONC) IT Security

ERM Committee

Functions

- Define the scope of the program
- Approve key policies & procedures
- Require periodic, substantive reporting by management
- Ask questions
- Oversight of external auditor, internal audit function, & compliance program
- Monitoring effectiveness of internal controls processes
- Approve and monitor Key Risk Indicators

ERM Committee

01 **Compliance**	02 **Quality**	03 **Legal**	04 **Finance**
05 **Patient Safety**	06 **Human Resources**	07 **IT/Privacy**	08 **EVS**

Key Performance Indicators (KPIs)

Key performance indicators (KPIs) are metrics used to measure key business processes that reflect strategic performance:

Inpatient flow
- Inpatient raw mortality rate
- Patient vs Staff Ratios
- Harm events per 1,000 patient days
- Readmission rate
- Occupancy rate
- Average length of stay
- Average cost per discharge

Revenue cycle
- Total operating margin
- A/R days due to coding
- Total A/R days outstanding
- Average cost per discharge
- Cash receipt to bad debt
- Claims denial rate
- Days of cash on hand

Key Risk Indicators (KRIs)

**Key Risk Indicators** (KRIs) are critical predictors of unfavorable events that can adversely impact organizations. They monitor changes in the levels of risk exposure and contribute to the early warning signs that enable organizations to report risks, prevent crises, and mitigate them in time

Relationship between KPIs and KRIs

KPIs ← **Measure Historical Performance**

Predict Future Risk → **KRIs**
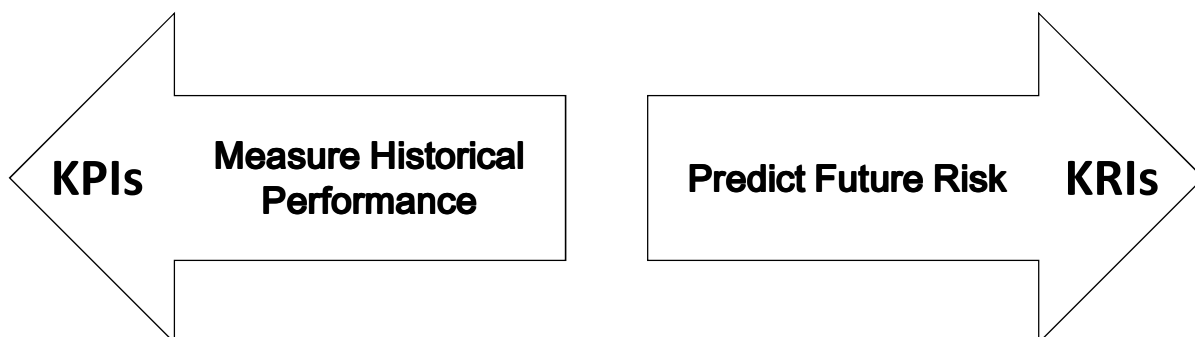
Developing Key Risk Indicators

Identify relevant metrics linked to organization's objectives
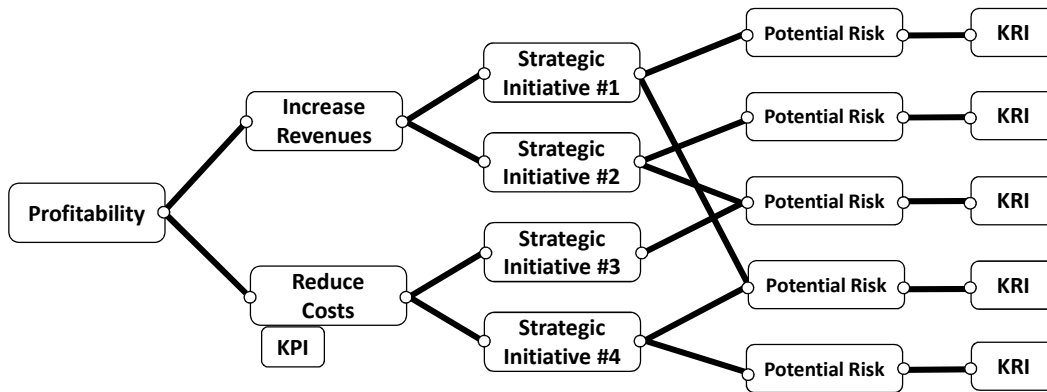
Source: COSO Report: Developing Key Risk Indicators to Strengthen Enterprise Risk Management

Developing Key Risk Indicators

Analyze a risk event that has affected the organization in the past (or present) and then work backwards to pinpoint intermediate and root cause events
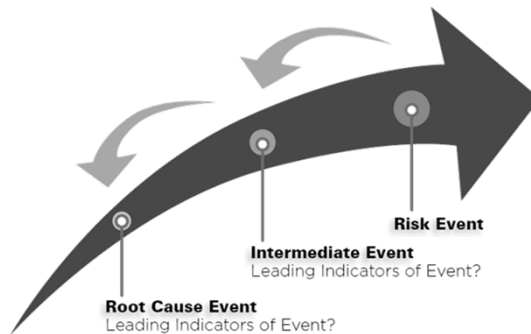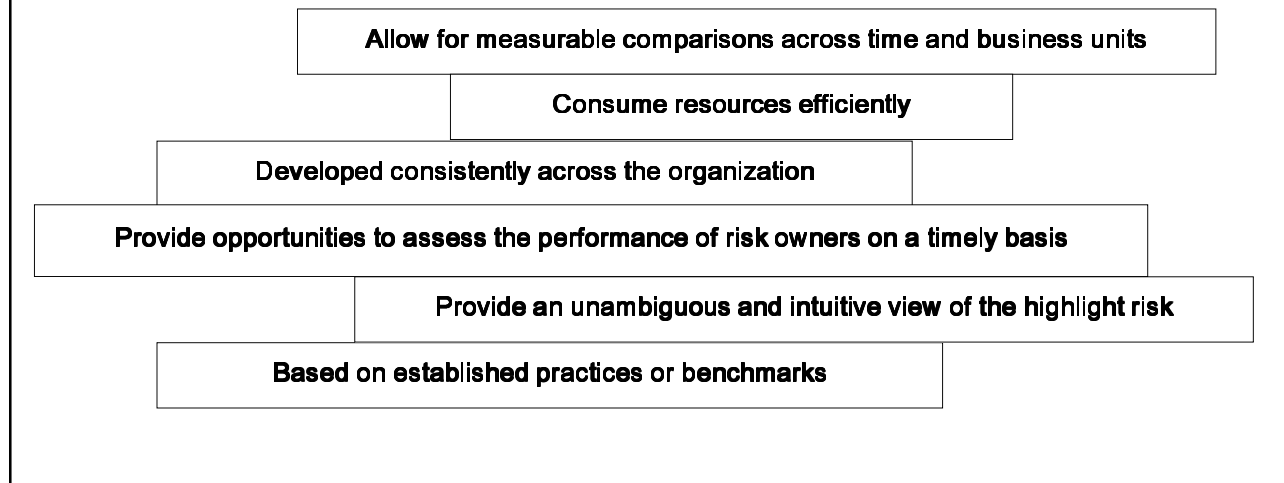

Source: COSO Report: Developing Key Risk Indicators to Strengthen Enterprise Risk Management

Core Elements of Well-Designed KRIs

Allow for measurable comparisons across time and business units

Consume resources efficiently

Developed consistently across the organization

Provide opportunities to assess the performance of risk owners on a timely basis

Provide an unambiguous and intuitive view of the highlight risk

Based on established practices or benchmarks

Key Risk Indicator Assignment

- Identify 2-3 Key Risk Indicators for your area:
  - Must be a predictor of risk
  - Can be simple
  - Must be measurable and reportable monthly
  - Data must be available (not a labor intensive process)
  - May be something that you are already monitoring
- Determine low, moderate, and high risk scores
- Identify responsible person

ERM Committee KRI

Compliance
- One Day Stays
- Medical Necessity
- Meaningful Use

Quality
- Surgical Site Infections
- CLABSI/CAUTI

Legal
- Dollar Amounts of Settlements
- Number of New Lawsuits
- Accrued Reserve Dollars for Settlements

Finance
- Internal Controls
- Executive Expenses
- Payroll Testing

Patient Safety
- Barcode Scanning Rates
- Hand Hygiene
- Universal Protocol
- Opioid Prescription Reduction

Environmental
- Generator Checks
- Emergency Preparedness

Human Resources
- Drug Diversion
- Employee Incidents
- Turnover % in Key Position

IT/Privacy
- Virus Email Received
- Inactive Users Disabled
- Firewall Penetration Attempts

KRI Examples

Business Risk Area	KRI Name	Description	Source	Reporting Frequency
Compliance	Lack of Employee Standards of Conduct training	% completion of code of conduct training	OLN report	Annual
Compliance	Outdated standards, policies, and procedures	% completion of review of compliance policies	Policy Review Report	Bi-Annually
Compliance	Failure to establish and maintain procedures for the receipt, retention and treatment of complaints received by the organization regarding compliance-related matters	Number of hotline calls per month	Issue tracking Log	Monthly

Key Risk Indicators Dashboard

Category	Indicator		Current Overall	January 2018	February 2018
Medicare Compliance	1 Day Stays *Admitted from the ED*	◔	12.5%	11.0%	14.0%
	Patient Status *% Inpatient Admitted from the ED*	●	77.0%	73.0%	81.0%
EMTALA	Transfer Requests Accepted		173	71	102
	Transfer Requests Refused		281	172	109
	Transfers Out		369	205	164
	Transfer Requests Refused		28	17	11
Device Utilization	Multiple Stents		64	37	27
Regulatory C.	Meaningful Use *Measures Meeting Out of 6 Required*	●	6	6	6
	Tracer Compliance	●	90.1% 8/160	90.1% 5/44	- 0/31
Human Resources	Employee Injuries		41	24	17
	For Cause Drug Tests		2	1	1
	Turnover (Key Positions)		0	0	0
	Employee Counseling		152	81	71
Data Security	Virus Emails Received	◐	2,386	2,347	2,425
	Inactive Users Disabled	◐	177	186	168
	Firewall Penetration Attempts	◐	30,703,672	31,150,465	30,256,879
	Number of Websites Blocks	◐	2,562,719	2,503,648	2,621,789
	Incoming Emails Blocked	◐	289,600	293,456	285,743

Risk Tolerance Key

Category	Indicator		
Medicare Compliance	1 Day Stays *Admitted from the ED*	Low	<8%
		Moderate	8-15%
		High	15%+
	Patient Status *% Inpatient Admitted from the ED*	Low	<80%
		Moderate	80-85%
		High	85%+
Device Utilization	Multiple Stents	1	TBD
		2	TBD
		3+	TBD
Regulatory Compliance	Meaningful Use *Measures Meeting Out of 6 Required*	Low	6
		Moderate	5
		High	4
	Tracer Compliance	Low	85%+
		Moderate	80%-85%
		High	< 80%
	Case Reviews *Levels S2 & S3/Total Reviews*	Low	5
		Moderate	6-14
		High	15+
Data Security	Virus Emails Received	Low	>5,000
		High	<500
	Inactive Users Disabled	Low	>250
		High	<25
	Firewall Penetration Attempts	Low	>100,000,000
		High	<1,000,000
	Number of Websites Blocks	Low	>10,000,000
		High	<100,000
	Incoming Emails Blocked	Low	>1,000,000
		High	<50,000

Reporting Key Risk Indicators

Operational Managers

All KRIs within their scope, need real-time reporting

Senior Management

KRIs for risks and opportunities with significant potential impact to the organization, less frequent (e.g. monthly)

Board of Directors

Only most significant KRI data to be confident that risk management is functioning as designed and approved, aggregated data for strategic evaluation

Thank you!