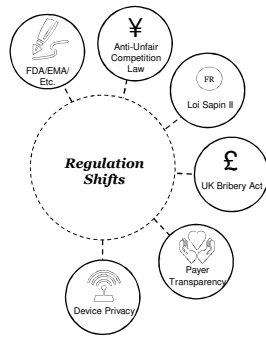


Vendor Risk Management - *Managing the lifecycle*

May, 2019

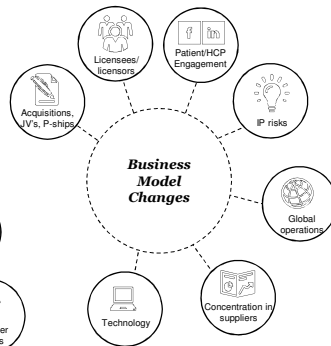
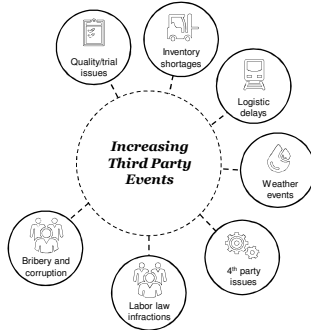


Why are companies investing in Vendor Risk Management?



Regulatory guidance related to third party risk management continues to evolve and expand, requiring a strategic approach and framework to maintain compliance.

Increased Third Party events and incidents lead to customer churn, regulatory penalties and fines, and reputational impact, requiring enhanced due diligence and ongoing monitoring for potential vulnerabilities.



Changes in business strategies and operating models lead to new types of Third Party arrangements and exposures to risk, requiring organizations to carefully consider the risks prior to execution.

What is the main driver for Vendor Risk Management in Healthcare?

Healthcare is an attractive target given the nature, breadth and depth of data...

Many data types...

Patient records include policy numbers, diagnosis codes, billing information, in addition to names, addresses and social security numbers

Higher financial return

Records are more valuable due to the breadth of data can be used to engage in insurance fraud

Duration of risk

Medical records unlike credit cards cannot be cancelled, the information can remain breached for years

Criticality of data

Medical data is critical to hospital operations and patient outcomes

What are the key focus areas for Healthcare?



Expanding and evolving regulatory landscape

Regulatory and compliance pressures (e.g., HIPAA and HITECH Act) continue to drive healthcare organizations to manage third party risk



Increasing reliance on third parties

Healthcare organizations have substantial reliance on third parties (including decentralized IT), and like most industries, continue to look for third party support to streamline operations and reduce cost



Lack of a formal TPRM governance function

Healthcare organizations lack a clear understanding of the inventory of the third parties, flow of sensitive data, and sustainable process for ongoing monitoring of risk, including shadow IT



Absence of a formal third party risk management process

Healthcare organizations lack a consistent third party risk assessment process -- including frequency based on risk as well as how to track and remediate based on findings



Sourcing decisions made without evaluating risk

Various areas of Healthcare organizations are making sourcing decisions before evaluating/classifying risk to data (privacy) and the control environment (security)

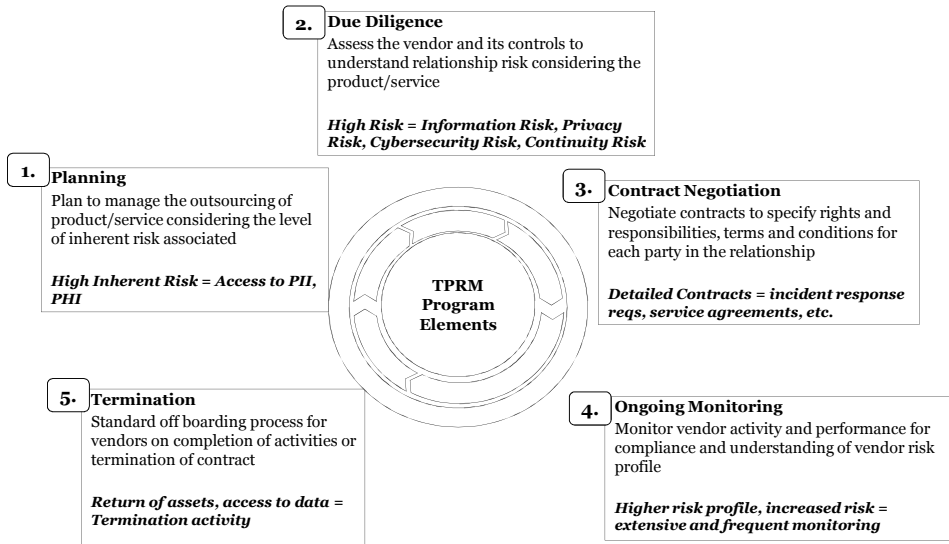
IN YOUR ORGANIZATION....

Do you have a Vendor Risk Management or Third Party Risk Management program?

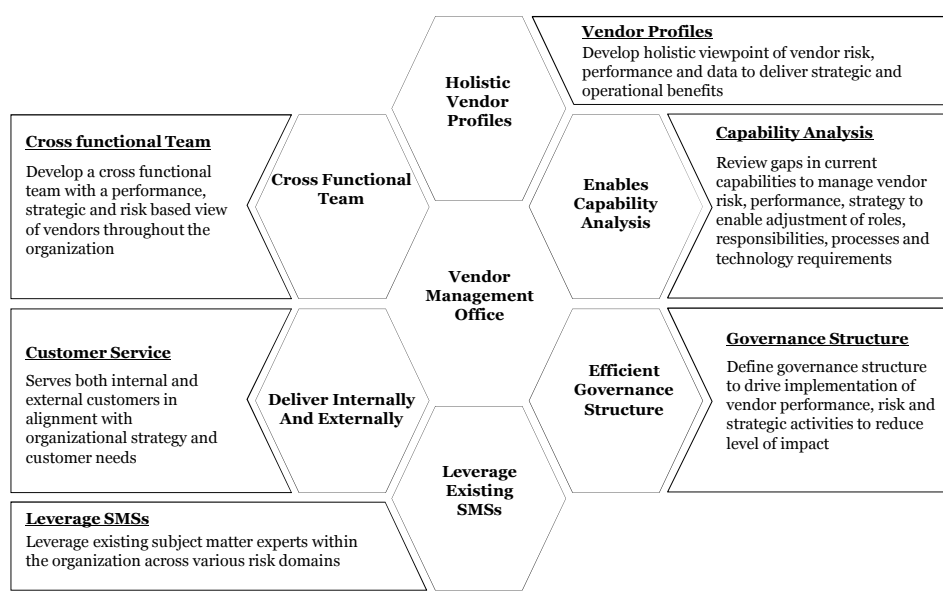
YES / NO

What is an effective Vendor Risk Management lifecycle?

A strong understanding of the Vendor Risk Management lifecycle enables an effective program.....



What are the key principles of the Vendor Management Office?



What type of Vendor Management Office is best suited?

The type of VMO model you pick defines the management function, structure and roles/responsibilities for vendor management

| | Decentralized | | | Centralized | | | | Hybrid | | | |
|--|--------------------------|--------------------------|--------------------------|-------------|----|--------------------------|--------------------------|--------|--------------------------|--------------------------|--------------------------|
| | BU | VMO | Other* | | BU | VMO | Other* | | BU | VMO | Other* |
| Vendor Mgmt. Policy & Standards Definition | | <input type="checkbox"/> | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Governance and Oversight | | <input type="checkbox"/> | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> |
| Planning & Strategy | <input type="checkbox"/> | | | | | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> | |
| Vendor Relationship & Performance Mgmt. | <input type="checkbox"/> | | | | | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> | |
| Vendor Risk Management Execution | <input type="checkbox"/> | | | | | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> | |
| Individual Contract Management | <input type="checkbox"/> | | | | | <input type="checkbox"/> | | | <input type="checkbox"/> | <input type="checkbox"/> | |

The VMO and Others* sets the policy and standards for vendor management and provide governance and oversight. Execution of requirements is primarily handled by the Business Units and Corporate Functions

The VMO and Others* sets the policy and standards for vendor management and provide governance and oversight. Further execution of the majority of vendor management activities and centralized functions and performed by the VMO.

The VMO and Others* sets the policy and standards for vendor management and provide governance and oversight. Vendor management activities are shared between the Business Units/Corporate Functions and the VMO, with the VMO focusing heavily on enterprise, cross-functional vendor relationships.

* Others include TPRMO, Sourcing, Procurement, Contract Management, Legal, etc.

IN YOUR ORGANIZATION....

Are you involved throughout the vendor lifecycle?

YES / NO

What are the objectives of the VMO?

An effective VMO is aligned to strategic and tactical business objectives, delivers value from vendor relationships, and serves a vital role in achieving business outcomes

**No. 1
Improve performance**



Strengthen vendor relationships through **proactive and continuous monitoring**. Measure and communicate performance to strengthen the delivery and embed continuous improvement.

**No. 2
Reduce and mitigate risk**



Identify, measure, and monitor risks throughout the vendor management lifecycle.

**No.3
Support business objectives**



Define contractual requirements and performance objectives in **alignment with business unit and organizational strategic objectives**.

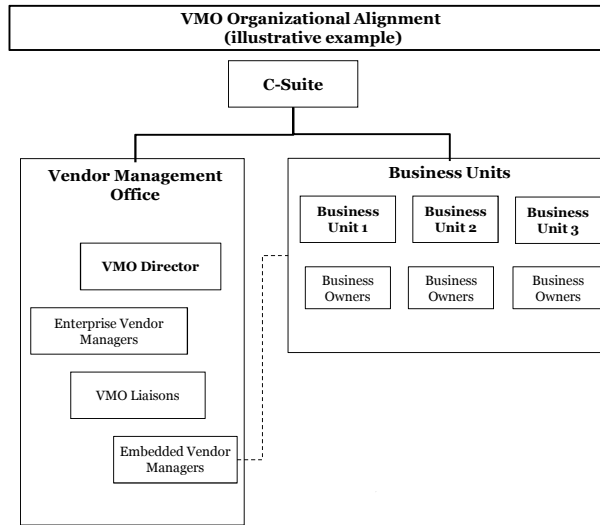
**No. 4
Improve data accuracy**



Increase **reliability, integrity and accuracy** of vendor data to improve decision making and the strategic management of vendor relationships.

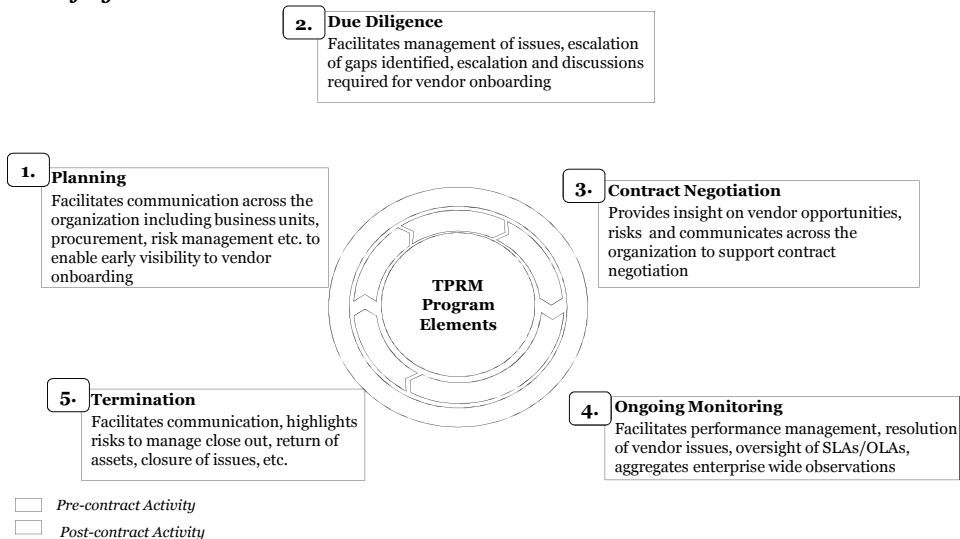
Who makes up the Vendor Management Office?

Your organizational structure and the VMO model together define the VMO organizational structure and alignment.....



What does the VMO do?

The model and organizational alignment determine the roles and responsibilities throughout the lifecycle....



IN YOUR ORGANIZATION....

Do you have a defined governance structure for vendor risk management?

YES / NO

What are the key success factors for the VMO?

Commitment

Commitment from Senior Management, Business Owners, Vendor Management leadership, Business Partners with aligned goals and strategic objectives

Communication

Open communication and transparency between Business Owners, Partners, Enterprise Functions and Governance Teams

Ownership

Clear accountability and ownership between Business Owners, Partners, Enterprise Functions and Governance Teams

Collaboration

Cross functional collaboration with finance, legal, compliance, and other key stakeholders

Alignment

Close alignment between Enterprise and Vendor Management throughout the life of the Vendor relationship

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