

Risk Assessment Processes and Tools

Atlanta Regional Healthcare Compliance Conference

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Session Objectives

- Discuss best practices for development of risk assessments
- Provide practical strategies for prioritizing risks
- Developing compliance workplans from risk assessments

Why Conduct a Compliance Risk Assessment Government Perspective

- Federal Sentencing Guidelines
“Organizations shall periodically assess the risk of criminal conduct and shall take appropriate steps...”
- Effective Compliance Program Element
- AHLA and OIG board governance guidance
“Does the compliance program address the significant risks of the organization? How were those risks determined and how are new compliance risks identified and incorporated into the program?”
- DOJ Evaluation of Corporate Compliance Programs
“Prosecutors should also consider the effectiveness of the company’s risk assessment...and the company’s compliance program has been tailored based on that risk assessment...”

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Why Conduct a Compliance Risk Assessment Business Perspective

- Proactive versus reactive
- Supports Enterprise Risk Management
 - Prioritization and alignment of risk and resource deployment
- Cultural integration
- Compliance program value, awareness and focus
- Mitigation of penalties and interest and corporate integrity agreement
- It gives compliance officers something to do in their spare time!!!

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Resources For Developing Compliance Risk Focus Areas

- **OIG website:**
 - Compliance Guidance
 - Work Plans, Top Management Challenges, Top Recommendations
 - Fraud Alerts, Bulletins, and Guidance
 - CIA's and Audit Reports
 - Advisory Opinions, etc.
- Other regulatory websites and information
- Internal and external audit reports
- Strategic priorities, leadership interviews, hotline reports, etc.
- Consultants
- Industry and vendor list serves, communications, peers, etc.

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Effective and Efficient Risk Assessment Processes

- **Tool/Process Development**
 - Risk Identification
 - Associated key stakeholders/risk owners
 - Internal and external controls in place for risk mitigation
 - Risk rating and ranking (prioritization) process
 - Controls assessment and gap analysis
 - Risk mitigation action plan development and implementation

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Effective and Efficient Risk Assessment Processes

- Action plan accountability and monitoring process
- Periodic risk assessment process reporting (management and governance)
- On-going re-evaluation and update of risks (a minimum of annually)

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Effectiveness Evaluation versus Risk Assessment

- Effectiveness Evaluation
 - Compliance program effectiveness
 - Adequacy and maturity of seven elements
 - Retrospective
 - Structural exposures
- Risk Assessment
 - Organizational Compliance Risk (not program risk)
 - Prospective
 - Substantive exposures

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Risk Identification

- Risk - An event or action that can have a material effect on the reputation, financial, operational, or strategic performance of the organization.
- Sources:
 - Revenue Cycle
 - Privacy/Security
 - Operations
 - Human Resources
 - Risk Management
 - Strategy
 - External Sources

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Risk Identification Process

- Broad survey of cross-functional leaders
- Identify those risks which, if realized, could have a significant effect on mission and reputation or present significant financial, operational, strategic or legal exposure
 - Exposures now and in next three years
 - Key process or functions
 - Key strategic initiatives

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Risk Assessment

- Risk Impact
 - Mission and Reputation
 - Financial
 - Legal
 - Operational
 - Strategic
- Vulnerability
 - Likelihood
 - Detectability
 - Complexity
- Current Control Environment
- Risk Prioritization Score (RPS)

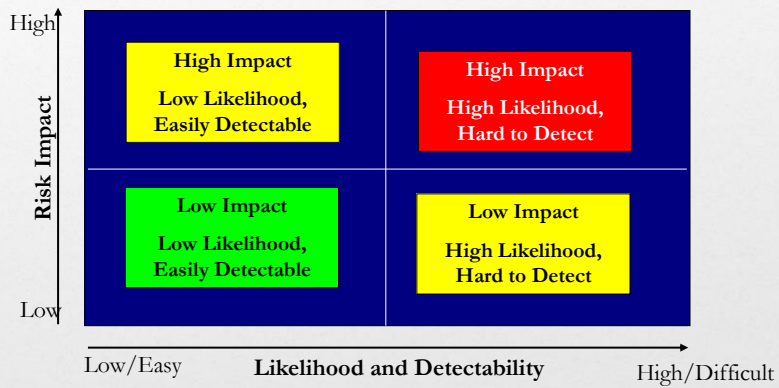
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Risk Assessment Scoring Tool

- Each element scored on 1-5 scale (1 being little or no risk, highly unlikely, easily detectable, excellent controls)
- Score assignment based on defined thresholds
- Example: Financial Impact
 - 1 = Loss of less than 0.05% of net revenue
 - 3 = Loss of between 0.1% - 0.5% of net revenue
 - 5 = Loss of greater than 1.0% of net revenue

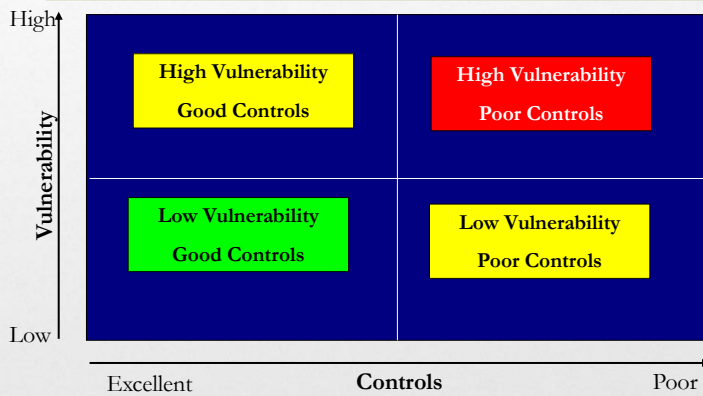
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Vulnerability Risk Map



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RPS Risk Map



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On-Going Work

- Evaluate risks with highest RPS
- Implement work plan and control activities
- Monitor progress
- Evaluate effectiveness
- Communicate results
- Refine and improve assessment process
- Reassess risks – start the cycle again

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Building a Work Plan

- Elements used to develop a Work Plan
 - Awareness Survey
 - Effectiveness Evaluation
 - Risk Assessment
- Identifying and prioritizing risks creates risks if nothing will be done with the information
- Audits are not corrective action!!
- Understand root cause
- Resources available

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Building a Work Plan

- Involve stakeholders
- Communicate
- Monitoring and on-going periodic assessment
- Re-evaluate and re-prioritize

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Planning Each Element

- Definable goal (by 12/31/20 testing will demonstrate 100% billing accuracy consistent with the 2-midnight rule).
 - S – Specific
 - M – Measurable
 - A – Attainable
 - R – Relevant
 - T – Time-based
- Milestones/Scheduling
- Resources
- Tracking

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Coordination

- One work plan or many?
 - Compliance Work Plan
 - Education Plan
 - Audit Plan
 - Others (ERM, Risk, Security, Privacy, etc.)
- Who owns the plan?

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Stakeholder Engagement

- Include key stakeholders in Effectiveness Evaluation and Risk Assessment process
- Alignment with operational priorities and strategy
- Consider burden and benefit
- Use your experts
- Communicate Plan and Progress
 - Governing Body
 - Executive Leaders
 - Compliance Committee
 - Departments helping you or doing the work

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Questions and Answers

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