Managing Organizational Risk

The Mighty Triad of Compliance, Internal Audit, and Risk Management

HCCA Compliance Institute

April 16, 2018

Presented by:

Sheila Limmroth, CHC®, CIA Privacy Officer/Legal Services Specialist, DCH Health System

Susan Thomas, CHC®, CIA, CRMA, CPC® Healthcare Consulting Manager, PYA

SPEAKERS

Sheila Limmroth
CHC®, CIA
Privacy Officer/Legal Services
Specialist

DCH Health System ®

Susan Thomas
CHC®, CIA, CRMA, CPC®
Manager
Healthcare Consulting

PYA

Objectives

Define organizational roles and responsibilities of Internal Audit, Corporate Compliance, and Risk Management

Discover how a partnership of audit, compliance, and risk management can be a major advantage for an overall risk strategy

Discuss how to move from siloed risk-related activities to integrated risk management

Consider utilization of tools available for organizations to manage risk

Audience Poll

- What is the name of the department you work in?

The Challenges of Managing Organizational Risk

In order to provide valuable insight to executive management and regulatory oversight agencies, Internal Audit, Compliance, and Risk Management must figure out how to join forces.

Government agencies are demanding more from executive management and Boards, who in turn are demanding more from these support functions to ensure greater control and oversight of key risk areas.

The gravity of operational risk events has increased – due to fines and sanctions, as well as reputational and legal impacts.

The Challenges of Managing Organizational Risk

- The roles and responsibilities of Internal Audit, Compliance, and Risk Management have not been clearly defined as strategic organizational functions
  - Leads to duplication of efforts or gaps in coverage
- Lack of collaborative and standardized processes for managing organizational risk across the different functions:
      1) Identification and data collection
      2) Evaluation and prioritization
      3) Action plan with mitigation
  - Results in inefficiencies due to duplicated or even contradictory projects

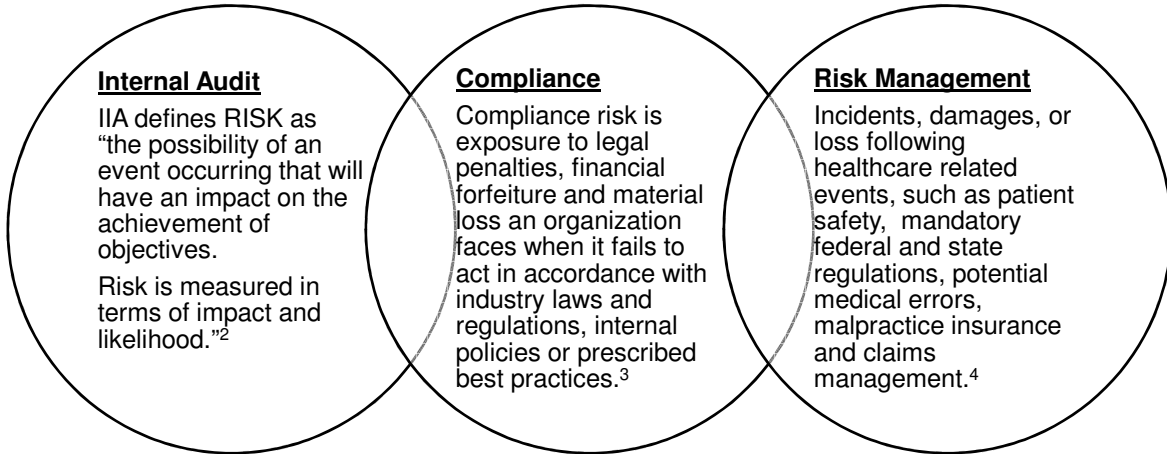## The Challenges of Managing Organizational Risk

- Overlapping or redundant reports with similar content to executive management
    - Insufficient focus on emerging risks and limited actionable recommendations for executive management to act on
    - Challenges in trending organizational issues that may be dispersed across functional areas
- Lack of a centralized system to enable information sharing and follow-up
    - Evidenced by dependence on manual processes using spreadsheets, documents, and databases

---

What is Organizational Risk in Healthcare?

- Description of **risk**: *A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action*.[1]
    - Organizational risk is the chance of adverse outcomes or unfavorable consequences resulting from operations.
    - Evaluate the likelihood that risk will occur and the impact of the risk to organization.
- Some risk is acceptable or possibly unavoidable, but the goal of organizational risk management is "**No Surprises!**"
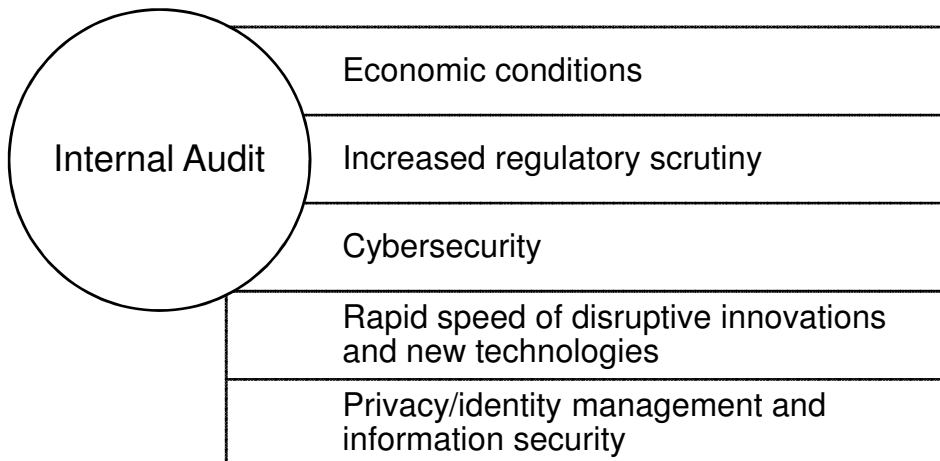
1) Business Dictionary. Web Finance, Inc. http://www.businessdictionary.com/definition/risk.html

What is Risk in the Mighty TRIAD?

Internal Audit

IIA defines RISK as "the possibility of an event occurring that will have an impact on the achievement of objectives.

Risk is measured in terms of impact and likelihood."[2]

Compliance

Compliance risk is exposure to legal penalties, financial forfeiture and material loss an organization faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.[3]

Risk Management

Incidents, damages, or loss following healthcare related events, such as patient safety, mandatory federal and state regulations, potential medical errors, malpractice insurance and claims management.[4]
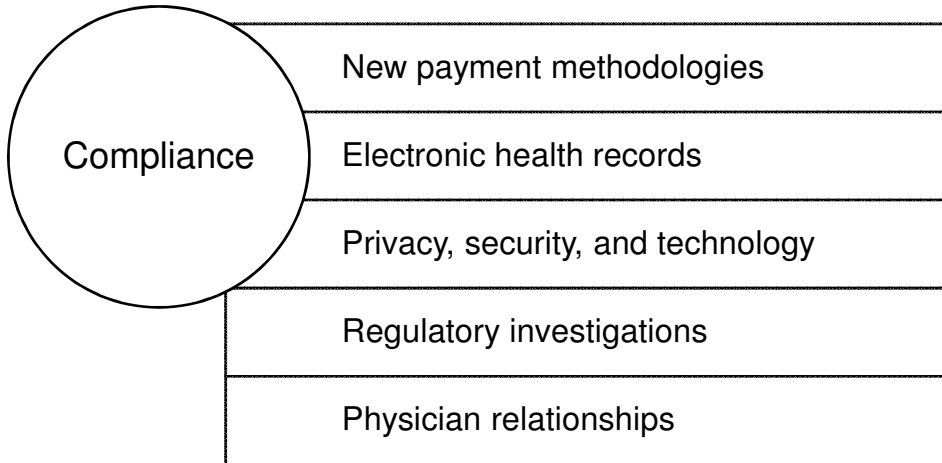
2) Institute of Internal Auditors
3) Health Care Compliance Association
4) Association of Healthcare Risk Management

Top Healthcare Risks

Internal Audit

- Economic conditions
- Increased regulatory scrutiny
- Cybersecurity
- Rapid speed of disruptive innovations and new technologies
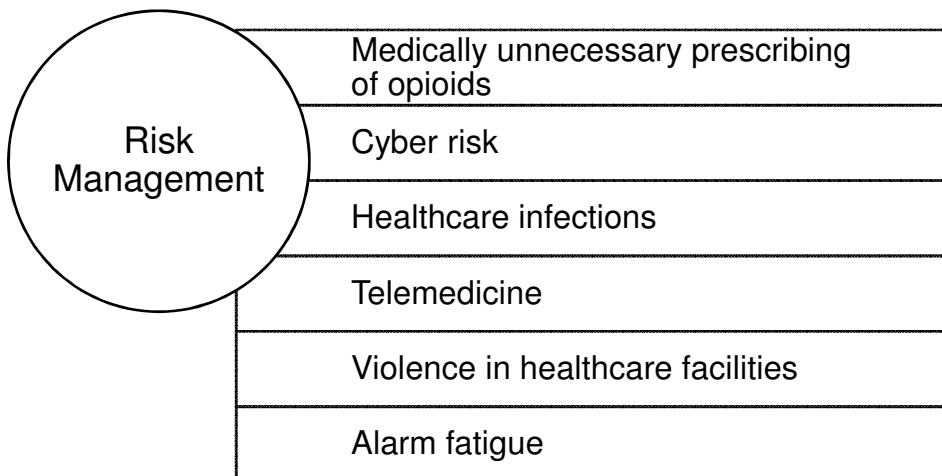- Privacy/identity management and information security

Source: Executive Perspectives on Top Risk for 2017. Research conducted by North Carolina State University's ERM Initiative and Protiviti

Top Healthcare Risks

Compliance

- New payment methodologies
- Electronic health records
- Privacy, security, and technology
- Regulatory investigations
- Physician relationships

Source: Top Healthcare Compliance Issues for 2017. PreCheck Blog. Nov. 8, 2016

Top Healthcare Risks

Risk Management

- Medically unnecessary prescribing of opioids
- Cyber risk
- Healthcare infections
- Telemedicine
- Violence in healthcare facilities
- Alarm fatigue

Sources: National Health Care Fraud Takedown Results in Charges Against Over 412 Individuals Responsible for $1.3 Billion in Fraud Losses. Department of Justice – Office of Public Affairs. July 13, 2017

11 Critical Risks Facing the Healthcare Industry. Risk & Insurance. ACE Group. June 1, 2016

Organizational Roles and Responsibilities

- COMPLIANCE
  - Identifies and prioritizes risks and then deploys resources accordingly
  - Carries out responsibilities within pre-determined norms that enable the organization to act legally and ethically
    - Conducts regulatory and policy training
    - Promotes the organizational code of conduct
    - Provides a reporting mechanism
  - Mitigates the effect of third party compliance risks: background checks, required training and certifications, and auditing compliance efforts

Source: Health Care Compliance Association

Organizational Roles and Responsibilities

- INTERNAL AUDIT
  - Provides a process review service that adds shareholder value by improving business and financial controls
  - Reviews risk management, control and governance processes and then identify improvement opportunities
  - Provides recommendations to drive change in the business
  - Provides independent assurance that an organization's risk management, governance and internal control processes are operating effectively
  - Provides an unbiased and objective view

In sum, internal auditors help organizations to succeed. The assurance part of their work involves telling managers and governors how well the systems and processes designed to keep the organization on track are working. Then, they offer consulting help to improve those systems and processes where necessary.

Source: Institute of Internal Auditors

Organizational Roles and Responsibilities

- RISK MANAGEMENT
  - Helps set organizational strategy to mitigate loss and foster patient safety
  - Establishes a process that identifies, analyzes, and treats potential hazards
  - Identifies and eliminates potential hazards before anyone is harmed or disabled, and develops and evaluates policies and procedures that provide guidelines for the institution and direct practice
  - Protects an institution from legal liability and potential financial disaster but more importantly, serves to protect the public as well as healthcare personnel
  - Surveys readiness and accreditation management
  - Investigates patient complaints and medical malpractice claims
  - Reviews medical records for liability issues
  - Conducts risk-management training programs
  - Manages lawsuits and acts as a liaison for liability claims

Source: Association for Healthcare Risk Management

Levels of Integration

- No Integration/Communication
  - Separate structures and functions for Internal Audit, Compliance, and Risk Management
  - Assumed responsibility for managing organizational risk based on departmental objectives
  - No formal coordinating structure
  - Functions are not integrated into organizational strategic plan

Source: Integrating Audit, Compliance, Risk Management, and General Counsel. David Galloway, Executive Director, Office of Compliance and Audit, BYU. SCCE – Austin Presentation 2015.

Levels of Integration

- Informal Integration

  - Organizational risk issues are reported up through separate chains of command
  - No formal coordination of compliance issues
  - Dependent on relationships and comfort of working outside of departmental boundaries
 - Impromptu method may work for some issues, but not for others

Levels of Integration

- Official Integration

  - Departments that manage organizational risk are in regular contact
  - Regular meetings with agendas, minutes, and action plans
  - Cooperative process to identify and address organizational risk
  - Coordinated auditing, monitoring, and reporting to assure that risks are addressed
  - Governance support and organizational recognition as an assimilated function

How Integrated is Your Organization?

No Integration	Informal Integration	Official Integration
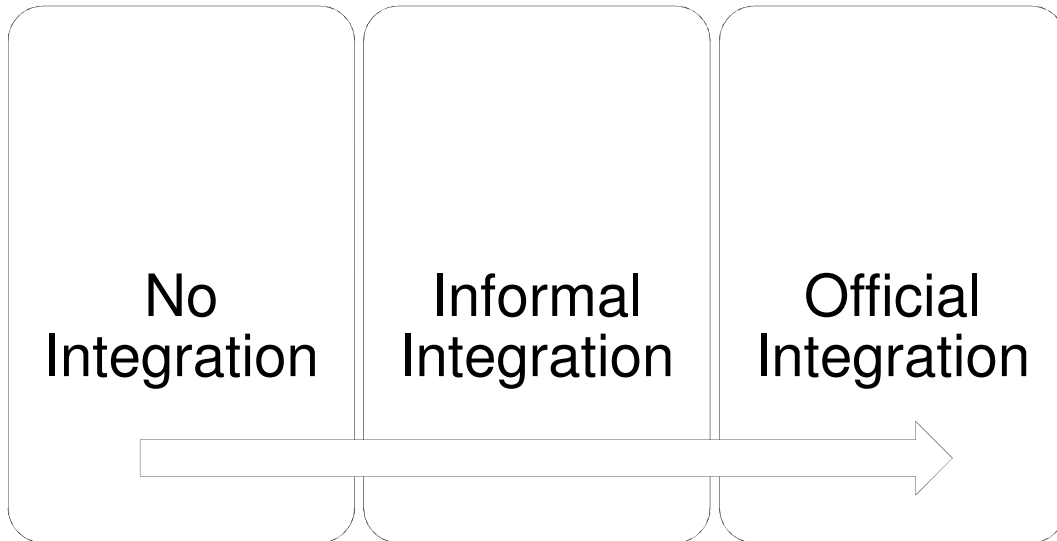
Images courtesy of Free Range Stock, www.freerangestock.com; and Pixabay, https://pixabay.com/

Strategies for Integration

- View the mighty TRIAD as a valuable resource
  - Different backgrounds and points of view can be used to the organization's advantage
  - Working together will create an efficiency of scale and lessen redundancy
- Develop and share collaborative work plans and discuss data to be collected
  - Areas of overlap can be confronted cooperatively
    - For example: Never Events
      - Compliance – correct coding and billing
      - Internal Audit – operational review of internal controls
      - Risk Management – subject to malpractice

Strategies for Integration

- Communicate and share information across support functions
- Remodel distribution of resources and competencies across the organization (e.g., software, education materials, support staff)
- Understand that risk in one area can affect other areas
- Ensure that information is disseminated throughout the organization
- Collaborate on education and awareness events
- Coordinate investigation of complex issues and resolution of exposure
- Collaborate on annual work plans and risk assessments
- Educate governance to foster a better understanding of an integrated control environment

Strategies for Integration

- Recognize the potential positive affect of risk – **not all risk is bad**
  - Risk can be turned into an organizational opportunity with the right information and collaboration
  - Risk is inherent to a growing organization
- Monitor and manage interrelated risks
- Managing organizational risk is a process – ***that never ends***

Positive Outcomes of Integration

- Increase in patient satisfaction and patient outcomes
- Decrease in malpractice loss
- Increase accuracy with claims submission
- Better documentation to support medical necessity
- Proper payment for services rendered
- The ability to innovate and "think outside the box"
- Competitive advantage – enhanced, coordinated management of organizational risk – exceeding competitors' efforts
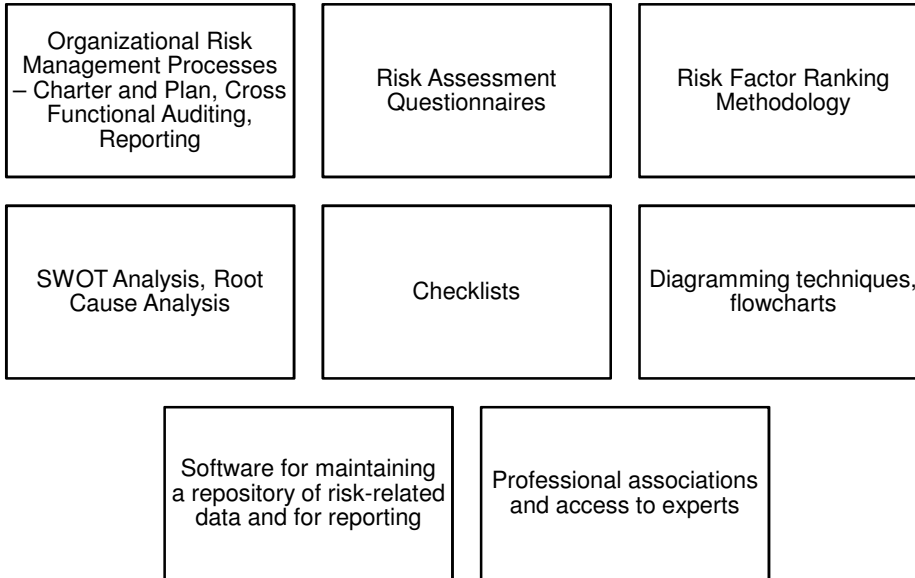

Positive Outcomes of Integration

What Would This Utopia Look Like?
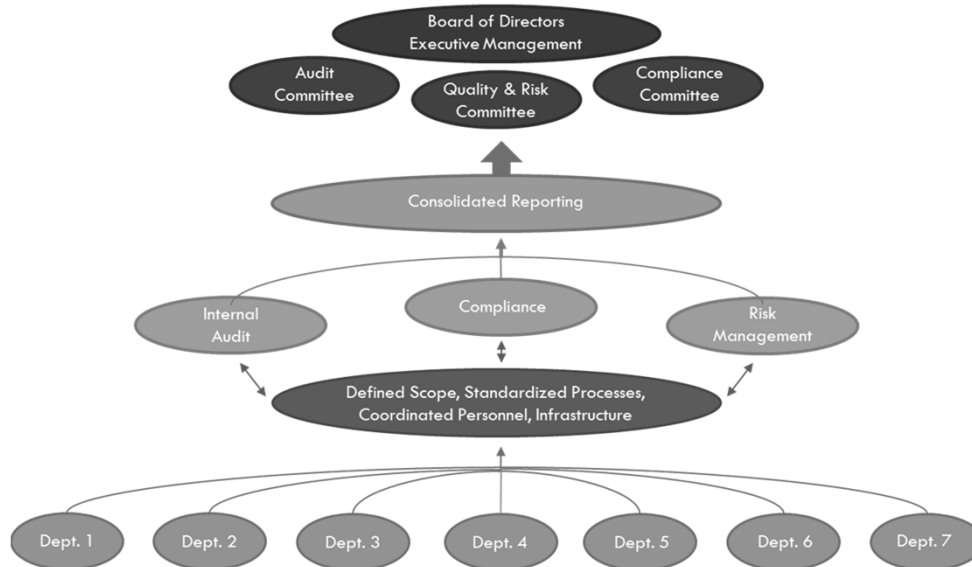
Examples of Integration

- Cross-functional personnel
  - Subject matter experts can cross-over to provide support and expertise for activities related to management of organizational risk
- Multi-disciplinary policies and procedures
  - Investigations, complaints, reporting, personnel requirements, training
- Information systems
  - Utilization of a common/shared organizational risk management software application for efficient investigation, monitoring, auditing, and reporting of risk issues
  - Provides an organizational repository of all risk related information
- Consolidated reporting
  - Reporting risk issues identified by type – internal audit, compliance, risk management – to executive leadership and governance demonstrates a comprehensive approach

Tools Available for Managing Organizational Risk

Organizational Risk Management Processes – Charter and Plan, Cross Functional Auditing, Reporting	Risk Assessment Questionnaires	Risk Factor Ranking Methodology
SWOT Analysis, Root Cause Analysis	Checklists	Diagramming techniques, flowcharts
Software for maintaining a repository of risk-related data and for reporting	Professional associations and access to experts	

Conclusion

- Risk affects all aspects of healthcare organizations
- Partnership and collaboration provides a strategic advantage
- Integration to address risk requires planning and effective communication
- Use process engineering and innovative methods/tools to manage organizational risk

Photo Courtesy of "The Flint Hills" by Scott Bean

Thank You!

Sheila Limmroth
CHC®, CIA
Privacy Officer/Legal Services Specialist

Sheila.Limmroth@dchsystem.com

Susan Thomas
CHC®, CIA, CRMA, CPC®
Manager, Healthcare Consulting

sthomas@pyapc.com