Taking Compliance to the Next Level: Enterprise Risk Management

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CaroMont Health

• 435-bed acute care community hospital
• Courtland Terrace is a 96-bed skilled nursing facility
• Gaston Hospice which includes the 12-bed Robin Johnson House inpatient facility
• CaroMont Medical Group, a network of 43 primary and specialty physician offices in 5 counties and 2 states with nearly 200 employed providers.
Continuum of Care

Agenda

• What is ERM and how does compliance fit in?

• How to begin the transition from a traditional risk management program to an ERM approach

• Tips to develop a program to provide for more responsible corporate governance, greater internal controls, and risk oversight by centralizing all risk management activities
Traditional Risk Management

- Focus on clinical risks
- Examines risks individually
- Probability that adverse events will occur and result in financial losses
- Focuses on protecting the assets of the organization

What is ERM?

- the answer is...
What is ERM?

- Environmental Resource Management
- Employee Relationship Management
- Educational Research Methodology
- Everyone is a Risk Manager
- Enterprise Risk Management

ERM Definitions

American Society for Healthcare Risk Management (ASHRM) defines ERM as follows:

“Enterprise risk management in healthcare promotes a comprehensive framework for making risk management decisions which maximize **value protection and creation** by management risk and uncertainty and their connections to total value”.

## ERM Definitions

**COSO defines ERM as:**

“a process, affected by an entity’s board of directors, management and other personnel, applied in strategy-setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”


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## ERM Definitions

**AHLA defines ERM as:**

“...an ongoing business decision-making process instituted and supported by the healthcare organization’s board of directors, executive administration and medical staff leadership. ERM recognizes the synergistic effect of risks across the continuum of care, and has as its goal to assist the organization to reduce uncertainty and process variability, promote patient safety and maximize the return on investment through asset preservations, *value creation*, and the recognition of actionable risk opportunities”.

CaroMont’s Prior Program

“Woman says she nearly died after medical mix-up at local hospital”
“Gaston Memorial Hospital could lose Medicare funding, feds say”

- Patient/Family complaints
- Internal Investigation
- NC DHHS complaint investigation
- Findings/Results
- What went wrong????
- Could this have been avoided????

CaroMont’s New RM Structure
Why ERM?

- New risks everyday
- Increased use of technology
- M & A
- Partnerships and affiliations
- Health care reform
- Fast pace of change
- Integration breaks down silos
- Alignment prevents surprises

Where to begin?

- Who to involve?
  - BOD, C-suite, medical staff leadership, employees
- Create Committees
  - Steering committee to set policy, approve risk inventory and scoring, select projects, approve resources, monitor program
  - Operations committee manages day-to-day activities; responsible for program implementation and monitoring

Where to begin? (continued)

- Evaluate your organization’s readiness
  - Conduct assessment of internal environment
  - Is organization ready to expand risk activities?
  - Should you start with micro or macro approach or both?
- Choose level of implementation
- Educate leadership, management and staff


8 Domains of ERM

Key Components of ERM Program

- Goals and objectives
- Governance structure
- Framework for risk appetite and tolerance
- Alignment with other organizational objectives
- Risk assessment methodology
- Action plans
- Monitoring and auditing plan
- Communication plan


Tips to starting your ERM Program

- Understand current structure
- Obtain support from leadership
- Develop relationships with each domain leader
- Daily huddles
- Shared risk assessments/site visits
Helpful Links/Resources

- ASHRM/AHLA Enterprise Risk Management Handbook for Healthcare Entities
- Council of Sponsoring Organizations of the Treadway Commission - COSO – www.coso.org

Questions??

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