Enterprise Risk Management

Enterprise Risk Management in Health Care

Deloitte & Touche LLP
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Formal definition of risk:
Risk is "any event that can adversely affect the achievement of your objectives."

Risk Intelligent definition:
Risk is the potential for loss or harm — or the diminished opportunity for gain — that can adversely affect the achievement of an organization’s objectives.

Enterprise Risk Management (ERM) is a structured analytical process that focuses on identifying and eliminating the financial impact and volatility of a portfolio of risks rather than on risk avoidance alone. ERM utilizes a process or framework for assessing, evaluating, and measuring all of an organization’s risks.1


The Risk Intelligent Enterprise

In a risk intelligent enterprise, a common definition of risk — one that addresses both value preservation and value creation, is used consistently between management, the Board and throughout the organization.

The Risk Intelligent Enterprise

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Discussion topics

• ERM maturity model
• Leading trends for effective ERM
• Hot risk topics
• What Boards can do

ERM maturity model

Considering where you are…and where you want to be

Questions to consider...
1. How capable is the organization today to manage its risk profile?
2. How capable does it need to be?
3. How can existing risk management practices be leveraged?
4. How can risk be managed in a coordinated manner across silos?

Stage of Risk Management Capability Maturity

<table>
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<tr>
<th>Initial</th>
<th>Fragmented</th>
<th>Top down</th>
<th>Integrated</th>
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<tbody>
<tr>
<td>Ad hoc/chaotic</td>
<td>Depends primarily on individual heroics, capabilities, and verbal wisdom</td>
<td>Common risk framework, program statement, policy</td>
<td>Enterprise-wide integrated risk assessments</td>
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<td>• Enterprise-wide risk monitoring, measuring, and reporting</td>
<td>• Risk appetite is fully defined</td>
<td>• Risk discussion is embedded in strategic planning, capital allocation, product development, etc.</td>
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Leading trends for effective ERM

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

- Cyber security risk
- Increased oversight program integrity activities (information privacy and security)
- Two-midnight rule implementation and other inpatient prospective payment system (PPS) changes
- 340B drug pricing program compliance
- Business continuity beyond information technology (IT) capabilities
- Industry convergence and new competitors
- Evolving business models and care moving outside of hospitals
- Managing costs while improving quality
- Reputational risk
- The Sunshine Act
- Impacts of the Affordable Care Act

What Boards can do

Start by asking about current risk management processes and programs; understanding current state / desired future state

Consider adequacy of information about risk currently received

Ask relevant (and tough) questions to exercise effective risk oversight

Influence Executive sponsorship and buy-in by the CEO and C-Suite

Enable clear lines of communication between the ERM team and the Audit/Compliance committee

A common theme:

Boards do not have a clear picture of the risks associated with the organization’s operations, nor clarity of responsibilities for management and oversight of these risk areas.

Speaker Contact Information & Biography

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Mr. Waxman is an Associate in Risk Management (ARM) and has more than 14 years of risk and compliance consulting experience. He specializes in risk assessment, risk and compliance program design, governance, risk analytics, and building enterprise awareness for risk and compliance programs. Mr. Waxman brings experience in strategic planning, organizational design, process mapping and reengineering, training, and awareness building for risk programs, and he has focused on developing and delivering risk management reengineering projects for ERM, compliance, information security and business continuity corporate functions. His experience brings specialized knowledge of how risk and compliance offices operate including their roles and responsibilities.