Risk Assessments –
The Good, the Bad, and the Ugly

Steve Bunde and Deb Ziegler

Introduction

HealthPartners

- **Our mission**: To improve the health of our members, our patients and the community
- Founded in 1957
- An integrated health care organization providing health care services and health plan financing and administration
- About 10,000 physicians, dentists and staff in 70 locations in the Twin Cities, St. Cloud and Duluth
- Ninth largest employer in Minnesota, largest private employer in St. Paul
- More than 640,000 members in Minnesota, western Wisconsin, North and South Dakota and Iowa
Introduction

HealthPartners (cont)

• Offers national health plan coverage through an affiliation with CIGNA HealthCare to companies with employees in Minnesota and across the country
• Covers nearly one in four residents in Twin Cities Metro area
• Largest consumer governed non-profit health care organization in the nation
• Products:
  – Commercial, fully and self-insured
  – HRA’s, FSA’s, HSA’s (consumer directed)
  – Public Programs
    • Medicare Advantage, Medicare Cost, Part D, PFFS
    • State public programs

Introduction

Capital BlueCross

• **Our Mission:** To strengthen the basic fabric of the communities we serve by investing in the health and well being of the people of our service area, offering our customers the best value in health insurance services, and providing our Members with health security through all the stages of life.
• Founded in 1938, recently celebrated 70 years of serving the communities of central Pennsylvania and the Lehigh Valley, and are recognized as the No. 1 health insurer in our communities served.
• Offers national health plan as an independent licensee of the Blue Cross and Blue Shield Association. Authorized to utilize the Blue Cross logo in 21 counties in central Pennsylvania and the Lehigh Valley
• In 70 years Capital BlueCross has grown from 7400 members to nearly one million members today.
Introduction

Capital BlueCross (cont)
• In the past year, we processed nearly 12.5 million claims and managed more than $3 billion in premium and premium equivalents
• We have a broad-reaching physician network, with more than 11,000 professional providers and work with each of the 37 hospitals in our service area
• Capital BlueCross, headquartered in Harrisburg, is one of the area’s largest employers, with more than 2,300 employees.
• As a full-service health insurer, Capital BlueCross offers a wide variety of easy-to-use, comprehensive and innovative health insurance products and easy access to individual products for eligible individuals through the Medicare years.
• Capital BlueCross….Then. Now. Always.

Agenda

• The Bad
  – What’s the problem of not having a risk assessment process?
• The Ugly
  – What are the characteristics of ineffective risk assessments?
• The Good
  – What works and what are the challenges?
    • HealthPartners
    • Capital BlueCross
  – What are some other tools?
• Questions
The Bad

• What's the problem of not having a risk assessment process?
  – Undetected or unmitigated risks
  – Mis-alignment of limited departmental and/or independent monitoring and auditing resources to risks
  – Not meeting regulator expectations
  – Increased likelihood of both internal and external audit findings
  – Increased exposure to whistleblower and other litigations
  – Not doing your job—can’t keep senior management and the board of directors informed of risks that you (and they) don’t know about

The Ugly

• What are the characteristics of ineffective risk assessments?
  – Too complex
  – Created and not used
  – Not understood by leadership
  – No rationale for ratings
  – Ratings influenced by management wanting it to ‘look good’
  – Not used to drive resources or risk management strategies
The Ugly

• Example (too complex)

Regulatory Governance & History

[1] Number of govt. entities or other authorities regulating operation [select one]:

- None = 0
- One = 1
- Two = 2
- Three = 3
- Four = 4
- Five or more = 5

[2] Basis of governance [add all that apply]:

- Internal policy/procedure = 1
- Contract/industry practice = 2
- Association standard = 3
- State or federal law/regulation = 4
- State and federal law/regulation = 5

[3] Potential for legal sanctions/settlements [select one]:

- Low ($1,000 or misdemeanor) = 1
- Medium ($1,000 to $10,000) = 2
- High ($10,000, felony, or loss of license/franchise) = 5

Etc....

The Good

• What works and what are the challenges?

  – Framework
    • The main two attributes can be classified as:
      – Cause
      – Effect
    • The assessment of risk is a function of:
      – The resulting impact of the effect (e.g., on revenue, reputation, reporting, etc.)
      – The likelihood of the cause occurring

  – Sources of Industry Risk Areas
    • OIG work plan
    • CMS audit guides
    • State audit guides
    • Networking
    • Conferences
The Good

• HealthPartners – Process
  – Compliance
    • Review OIG work plan
    • Review incident trends
    • Review industry information
    • Coordinate with Legal, Internal Audit, Government Programs, and Risk Management
    • Develop work plan; report results to oversight committee
  – Government Programs
    • Annual update
    • Meet with business units
    • Develop monitoring plan; report results to oversight committee

• HealthPartners – Process
  – Internal Audit
    • Bi-annual update
    • Meet with business leaders
    • Review with Senior leaders and F&A Committee
    • Develop annual audit plan; report results to oversight committee(s)
    • Coordinate with Legal, Internal Audit, Government Programs, and Risk Management
The Good

- HealthPartners – Challenges
  - Execution and reporting of departmental monitoring
  - Coordination of audit and monitoring plans between compliance, audit, government programs
  - Diversion from preparation from regulator audits
  - Quantity and complexity of regulations and guidance

The Good

- Risk Assessment Tool (Example Only)

<table>
<thead>
<tr>
<th>Department</th>
<th>Topic</th>
<th>Business Owner</th>
<th>Risk</th>
<th>Product</th>
<th>Specific areas</th>
<th>Monitoring Guide Element</th>
<th>Monitoring Plan (P&amp;P, Training, Reviews)</th>
<th>Prior Findings</th>
<th>Regulator Focus</th>
<th>Comments</th>
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### The Good

* Capital BlueCross – Process*

- Meet with Legal and Internal Audit first
- Review risk assessment “folder”
- Meet with Corporate Compliance Committee to kick off assessment
- Distribute monitoring activities chart
- Review process for identifying new potential risks
- Review risk assessment process for new Committee members/identify any changes to process
- Discuss deadline for completion of risk assessment
The Good

• Capital BlueCross – Process
  – Review risk assessment results
  – Meet with Committee members who have identified new risks
  – Discuss potential new monitoring activities
  – Review risk assessment results with Committee members that are affected by the risk (may be other than member who identified risk)
  – Meet with Senior Management to review risk assessment results (new identified risks, mitigating controls, new monitoring activities)
  – Review risk assessment results with the Governance Committee of the Board of Directors—discuss CAPs for addressing immediate risks
  – Provide Board with regular status of CAPs

The Good

• Capital BlueCross – Challenges
  – Getting Compliance Committee members to include SMEs in risk assessment process
  – Procrastination – assessments being completed at last minute
  – Missing information on risk assessment documents
  – Consideration of new potential risks
  – Establishment of new monitoring activities
### The Good

- **Risk Assessment Tool (Example only)**

#### Example of a Risk Assessment Tool

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### The Good

- **Risk Assessment Tool (Example only)**

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The Good

• What are some other tools?
  – Coverage Map
  – Corrective Action Plan
  – Monitoring Template

The Good
• Coverage Map (Example only)
The Good

- Coverage Map (Example only)

**Enterprise and Health Plan**

- Direct and Guide the Organization
  - Provide Governance
  - Refine Strategic Planning
  - Promote Integrity and Consciousness

- Develop & Market the Market
  - Develop and Market Products and Services
  - Audit and Review Products and Services

- Develop & Manage Plan Network
  - Develop Plan Delivery Strategies
  - Develop and Manage Plan Network

- Manage Health Outcomes
  - Quality Management
  - Utilization Management
  - Risk and Disease Management

- Manage Health Plan Operations
  - Manage Member Billing and Enrollment
  - Manage Pharmacy Administration
  - Manage Finance and Insurance

**Coverage Map**

2008 and 2009 Auditing and Monitoring Coverage Map

- Sarbane-Oxley
  - Corporate Integrity
  - Internal Audit
  - SAS#70
  - Government Programs

- Risk Assessment - High Risk Area

**2008 and 2009 Auditing and Monitoring Coverage Map**

- Manager
  - Sarbane-Oxley
  - Corporate Integrity
  - Internal Audit
  - SAS#70
  - Government Programs

- Risk Assessment - High Risk Area

**Business Support**

- Manage Regulatory, Legal, and Accreditation
  - Manage Regulatory Compliance
  - Manage Accreditation
  - Manage Orientation and Education
  - Manage Regulation and Enforcement

- Manage Finance and Insurance
  - Manage Banking and Investments
  - Manage Reserves
  - Manage Underwriting and Actuarial

- Manage Accounting Operations
  - General and Fraud Account Operations
  - Accounting and Financial Planning
  - Budget

- Manage Human Resources
  - Recruiting and Hiring
  - Orientation and Education
  - Compensation and Benefits
  - Performance Evaluation and Employee Actions

- Manage IS&T
  - Monitor & Evaluate
  - Plan & Implement
  - Support

- 2008 and 2009 Auditing and Monitoring Coverage Map

- Manager
  - Sarbane-Oxley
  - Corporate Integrity
  - Internal Audit
  - SAS#70
  - Government Programs

- Risk Assessment - High Risk Area
The Good

- Corrective Action Plan (Example only)

- Monitoring Tool (Example only)
Questions

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