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Compliance Program  
Metrics Measurement

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Session Objectives

1. List key elements for developing appropriate metrics for to measure compliance program effectiveness
2. Understand key points of an organizational risk profile and risk intelligence and how they interact with compliance program metrics
3. List common criteria for measuring achievement to goals through appropriate metrics
Metrics: Why Use Them?

Performance metrics should be constructed to encourage:
  ○ Performance improvement,
  ○ Effectiveness
  ○ Efficiency
  ○ Appropriate levels of internal controls

They should incorporate:
  ○ "Best practices" related to the performance being measured
  ○ Cost/risk/benefit analysis, where appropriate

Definitions

Effectiveness
  • “producing a decided, decisive, or desired effect . . . capable of producing a result”
  • “the extent to which the outcomes of an activity achieve its stated objectives”

Metrics
  • Measurements that depict an organization’s completion of a specific goal or objective that may be one element of a larger outcome, e.g., implementation of a policy
Compliance Program Maturity Determination: Tool in Determining Applicable Risks

- **Mature**
  - "Technical and business tools are used to enhance competitive advantage"
  - "Maximizes budgeted resources because tasks are better planned and coordinated"
  - "Maximum flexibility: "Anticipatory"
  - "Participates with government regulators setting standards and policies"

- **Evolving**
  - "Planning" mentality
  - "Adopting more open approach with government regulators"
  - "Flexible enough to withstand and learn from regulatory situations"
  - "More integrated with other operational units"

- **Emerging**
  - "Put out fires" mentality
  - "Minimum level of compliance"
  - "Inflexible"

- **No corporate-wide compliance process and systems**

Core Elements in Building an Effective Compliance Program

- Program structure designed to meet the intent of the FSG’s 7 elements
- Risk assessments identify risks; Enforcement actions occur;
- Third party relationships are appropriate; Quality indicators improve;
How Can We Monitor CP Impact?

- Metrics Can Potentially Answer the Following:
  - What is the organizational culture?
    - Does it support an ethics and compliance based business model?
  - Are there internal controls surrounding areas of potential regulatory risk?
  - Are there mechanisms to report potential areas of concern, in a non-threatening environment?
  - Are there quantifiable outcomes that demonstrate the value (effectiveness) of the CP?

How Can Metrics Demonstrate Effectiveness?

- Metrics are not “the end all” of demonstrating effectiveness
  - Indicators that have the ability to demonstrate a positive or negative trend in a specific operational area, i.e., Education and training of staff, increase in harassment/retaliation claims, etc.
- Metrics provide an outcomes-oriented view of regulatory compliance
  - If issues aren’t addressed and negative findings increase without mitigation efforts, the probability of increased non-compliance and potential harm is a given!
How Can Metrics Demonstrate Effectiveness?

- Metrics assist in focusing limited resources to higher priority areas
- The outcome of metrics data analysis should be focused on reviewing the “root cause” of an identified systemic issue and fixing the problem versus “fault-finding” and treating the issue as an limited aberration that will resolve on its own volition
- Management communication of key metrics to measure organizational compliance has a contributory impact on a culture of compliance within an organization

How Can Metrics Demonstrate Effectiveness?

- What kind of metrics should be developed, how many, how often should they be reviewed?
- What data could you use to prove to regulators that your program is effective?
- Looking at your CP what are the key or important elements, at that point in time, to your program that need to be monitored closely, e.g., lack of reporting, timeliness of triage and follow-up to hotline calls, LEIE screening, management corrective actions to audits, etc?
Moving Beyond Process Indicators...

...Looking at Outcome Indicators

1. Determining Appropriate Outcomes and Related Thresholds
   a. Identify and prioritize compliance risks based upon mission, risk exposure and resources to mitigate
   b. Differentiate between mandatory and voluntary compliance-related risks
      ➢ Licensing/Certification
      ➢ Medicare Conditions of Participation
      ➢ Reputation
      ➢ Financial

Determining the Quality of Metrics

Checklist to Determine Quality of Metrics:

- Is the metric objectively measurable?
- Does the metric include a clear statement of the end results expected?
- Does the metric support customer requirements as well as compliance issues where appropriate?
- Does the metric focus on effectiveness and/or efficiency of the system being measured?
- Does the metric allow for meaningful trend or statistical analysis?
Determining the Quality of Metrics

Checklist (continued)
- Have appropriate industry or other external stands been applied?
- Does the metric include milestones and/or indicators to express qualitative criteria?
- Are the metrics challenging but at the same time attainable?
- Are assumptions and definitions specified for what constitutes satisfactory performance?
- Have those who are responsible for the performance being measured been fully involved in the development of this metric?
- Has the metric been mutually agreed upon by you and your stakeholders?

Metrics: Potential Areas to Measure

1. Alignment with Organizational Mission
2. Meeting Regulatory Requirements
3. Quality of “Product”
4. Cost Reduction and/or Avoidance
5. Cycle Time Reduction
6. Meeting Commitments
7. Timely Response
8. Employee Knowledge of Program
Utilizing the Compliance Risk Assessment to Develop Meaningful Metrics

**Mission & Objectives**
- Identify key high compliance risk areas relating to regulatory requirements
- What is your organization’s vulnerability to risk occurring?

**Risk Assessment**
- Prioritize Risks
- Evaluate Implementation Plans
- Compliance with Applicable Rules and Regulations
- What is currently being done to prevent, detect, correct, or escalate risk?
- Other data to consider, i.e.: HR, risk management, legal

**Prioritize and Plan**
- Management Controls
- Identify process indicators that link to planned outcomes
- What further actions are required to cost effectively mitigate value at risk?
- Other data to consider, i.e.: HR, risk management, legal

**Audit and Monitoring Activities**
- Best Practices/Benchmarks
- Assessment Checklists
- Ongoing monitoring
- Re-evaluating risk rankings
- How do we get reasonable assurance that existing mitigation is reliable and effective?
- Other data to consider, i.e.: HR, risk management, legal

**Reporting on Risk Profile and Outcomes Measures**
- Recommendations
- Performance Assessment
- Reporting assurance that risk is mitigated – outcome measure

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**SAMPLE Compliance Program Effectiveness Metrics**

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Process Metric</th>
<th>Outcome Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of Conduct/Standards of Practice</td>
<td>New Employee Signed Acknowledgements On File</td>
<td>Number of Substantiated Hotline Incidents (related to Code)</td>
</tr>
<tr>
<td></td>
<td>Total New Employees</td>
<td>Total Number of Substantiated Hotline Reports</td>
</tr>
<tr>
<td></td>
<td>Goal = 100%</td>
<td>Goal = 0%</td>
</tr>
<tr>
<td>Oversight (Governing Body)</td>
<td>Board Level Compliance Meetings: Quorum Achieved</td>
<td>Identified Risk Mitigation Reports Discussed and Approved</td>
</tr>
<tr>
<td></td>
<td>Scheduled Meetings</td>
<td>Total Number of Reports of Risks with Request for Mitigation Money</td>
</tr>
<tr>
<td></td>
<td>Goal = 100%</td>
<td>Goal = 100%</td>
</tr>
<tr>
<td>Education and Training</td>
<td>Employees Completed Annual Training</td>
<td>Amount of Fees/Attorney Fees Paid to Resolve (Education-Focused) Violations</td>
</tr>
<tr>
<td></td>
<td>Total Relevant Employees</td>
<td>Total Amount of Fees/Fines Paid for All Violations</td>
</tr>
<tr>
<td></td>
<td>Goal = 100%</td>
<td>Goal = 0%</td>
</tr>
<tr>
<td>Communication/Hotline</td>
<td>Number of Issues Trigged within Policy Timeframe</td>
<td>Number of External “Whistleblower” Reports</td>
</tr>
<tr>
<td></td>
<td>Number of Potential Issues Reported</td>
<td>Total Number of Reports through Internal Reporting System</td>
</tr>
<tr>
<td></td>
<td>Goal = 100%</td>
<td>Goal = 0%</td>
</tr>
<tr>
<td>Enforcement/Screening</td>
<td>Pre-Hire Sanction Check: Completed</td>
<td>Fees/Penalties Paid for Employing Dishonest/Sanctioned Individuals</td>
</tr>
<tr>
<td></td>
<td>Total New Employees</td>
<td>Total Amount of Fees/Fines Paid for All Violations</td>
</tr>
<tr>
<td></td>
<td>Goal = 100%</td>
<td>Goal = 0%</td>
</tr>
<tr>
<td>Audit &amp; Monitoring</td>
<td>Number of Audits Conducted &amp; Finalized</td>
<td>Number of Follow-up Audits Indicate Issue Resolution</td>
</tr>
<tr>
<td></td>
<td>Number of Audits Per Workplan</td>
<td>Total Number of Follow-up Audits Completed</td>
</tr>
<tr>
<td></td>
<td>Goal = 100%</td>
<td>Goal = 100%</td>
</tr>
</tbody>
</table>
Measuring Risk Intelligence Across the Entity: Integrating Compliance Risk Mitigation

1. How capable is your company today to manage its risk profile?
2. How capable does it need to be?
3. How can it get to its desired state? By when?

A framework for evaluating companies compared to leading practices of managing risks

Stakeholder Value

Risk Intelligent

• Embedded in strategic planning, capital allocation, product development, etc.
• Early-warning risk indicators
• Linkage to performance measurement/ incentives
• Risk modeling/scenarios
• Industry benchmarking

Risk Management Capability

Top Down

Systemic Risk Management

Specialist Silos

Tribal & Heroic

Summary

• Metrics provide a snapshot of compliance status
• Reflective of structure, process and/or outcomes
• Correlate to risk assessment and prioritized risks
• Succinct and quantifiable
• Provide valuable management information for quality and process improvements
Questions

FOR FURTHER INFORMATION

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