



Compliance Organizational Design

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Introductions and Perspectives

- Veronica Moore, Director of Corporate and Medicare Compliance, Blue Cross Blue Shield of Arizona
- James Rose, Managing Director, SunHawk Consulting LLC



Objectives

- What is organizational design and how it is important to compliance program effectiveness?
- How does my organization's other governance groups - internal audit, enterprise risk management, privacy, cyber security, ethics, and human resources - impact the compliance organization design?
- What considerations should be made for organization design of the compliance program?

3

What is organizational design?

4

The way individuals work together to achieve an objective.

The people, process, and technology that accomplish tasks.

The written and unwritten manner in which work is performed.

Organizational Design Methodologies

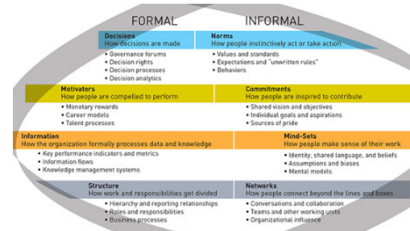


Figure 1 – The Star Model™

Organizational Design Methodologies

10 Principles of Organizational Design

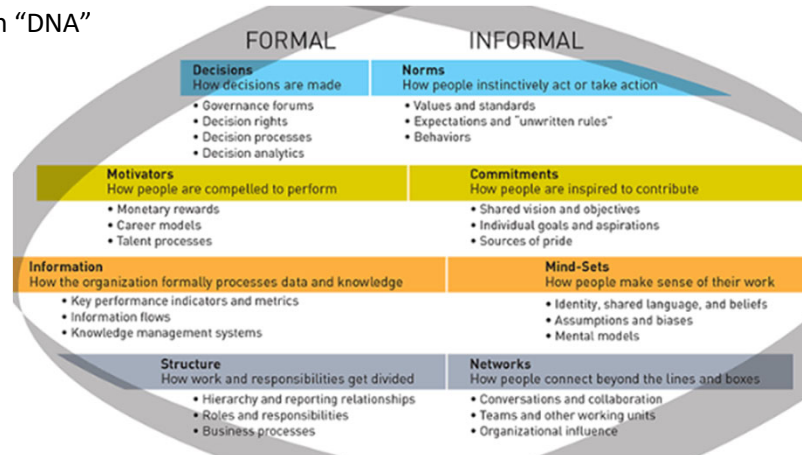
1. Declare amnesty for the past.
2. Design with "DNA"
3. Fix the structure last, not first.
4. Make the most of top talent.
5. Focus on what you can control.
6. Promote accountability.
7. Benchmark sparingly, if at all.
8. Let the "lines and boxes" fit your company's purpose.
9. Accentuate the informal.
10. Build on your strengths.



Organizational Design Methodologies

10 Principles of Organizational Design

Design with "DNA"



Examples of Organizational Design Issues

Harvard Business Review

Issue: Competing Priorities
Design Challenge: Poor Governance

Issue: Unwanted Turnover
Design Challenge: Bad Role Design

Issue: Inaccessible Bosses
Design Challenge: Excessive Spans of Control

Issue: Cross Functional Rivalry
Design Challenge: Misaligned Incentives or Metrics



Harvard Business Review - 4 Organizational Design Issues
That Most Leaders Misiagnose
by Ron Carucci, December 06, 2019

9

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How is organizational design important to compliance program effectiveness?



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10

Your Role as a Compliance Officer

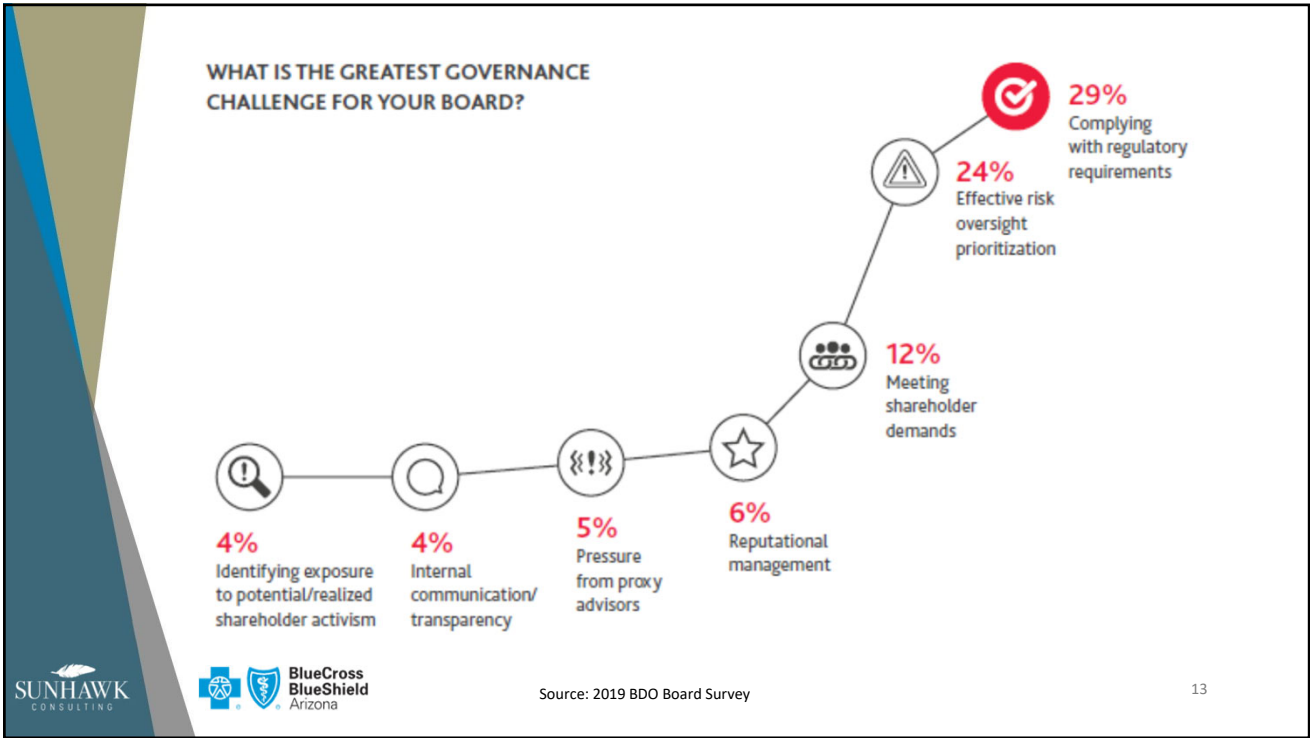
- Risk Leader
- Interpreter
- Auditor
- Investigator
- Reporter
- Corporate Executive
- **Teacher**
- **Influencer**

11

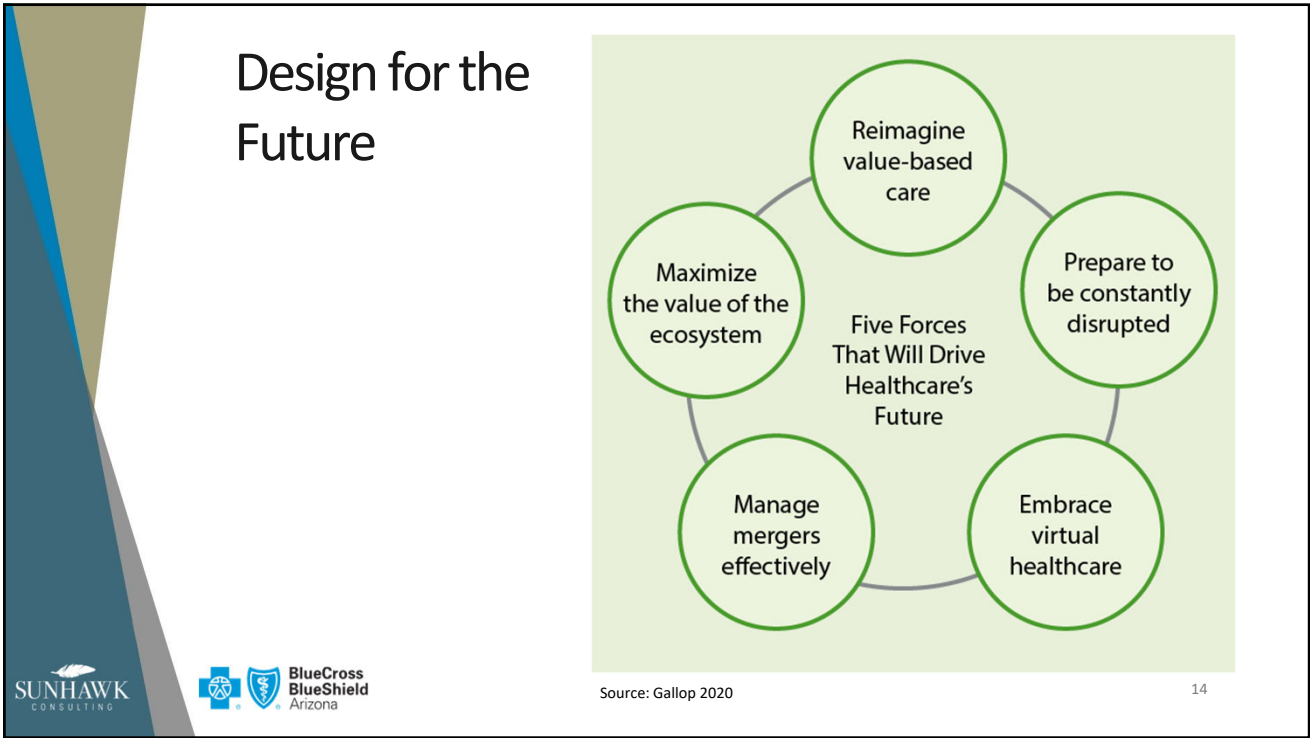
Your Role as a Compliance Officer

- **Steward of Resources**
 - How do you maximize the limited resources you have?
- **Organization-wide Accountability**
 - How do you maintain broad visibility?
- **Leverage Others**
 - How do you build off existing efforts in the organization?
- **Strategy Alignment**
 - How do you support the organization's strategy?

12



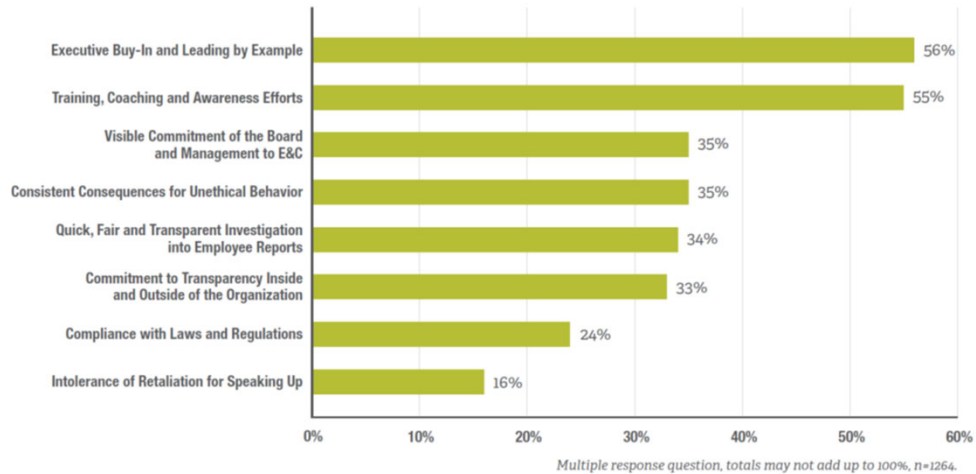
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14

Designing for What Drives Results

In Your Opinion, What Are the Most Effective Ways to Pursue a Culture of Ethics & Respect?



15

CMS Managed Care Manual - Chapter 21/9

Seven Elements of a Compliance Program

- Written Policies, Procedures and Standards of Conduct
- Compliance Officer, Compliance Committee, and High-Level Oversight
- Effective Training and Education
- Effective Lines of Communication
- Well-Publicized Disciplinary Standards
- Effective System for Routine Auditing, Monitoring, and Identification of Compliance Risks
- Procedures and Systems for Prompt Response to Compliance Issues

16

U.S. Sentencing Commission Organization Sentencing Guidelines

- “The two factors that mitigate the ultimate punishment of an organization are: (i) the existence of an effective compliance and ethics program; and (ii) self-reporting, cooperation, or acceptance of responsibility.”
- “Such compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct. The failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective in preventing and detecting criminal conduct.”

Suggested Compliance Program Elements

Risk Assessment Process
Policies and Procedures
Training and Communications
Confidential Reporting & Investigations
Third Party Management
Mergers and Acquisitions
Commitment by Management
Compliance Resources
Incentives and Disciplinary Measures
Continuous Improvement and Periodic Testing
Investigations & Root Cause Analysis



17

How Does the DOJ Evaluate Compliance Program Effectiveness?

- **Three Areas of Focus:**
 - Design - Is the compliance program well-designed?
 - Implementation – Is it applied earnestly and in good faith?
 - Operation – Does it work in practice?



Source: Evaluation of Corporate Compliance Programs June 2020 – U.S. Department of Justice

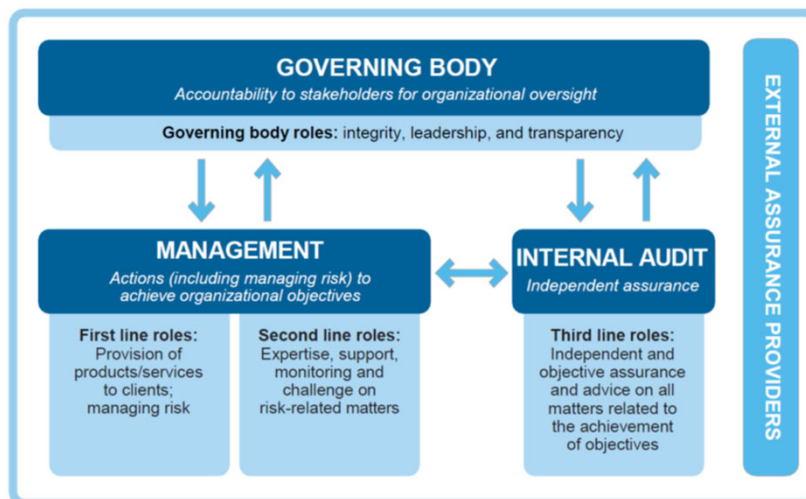
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18

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How does my organization's other governance groups - internal audit, enterprise risk management, privacy, cyber security, ethics, human resources - impact the compliance organization design?

The IIA's Three Lines Model



KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication coordination, collaboration

Governance Groups

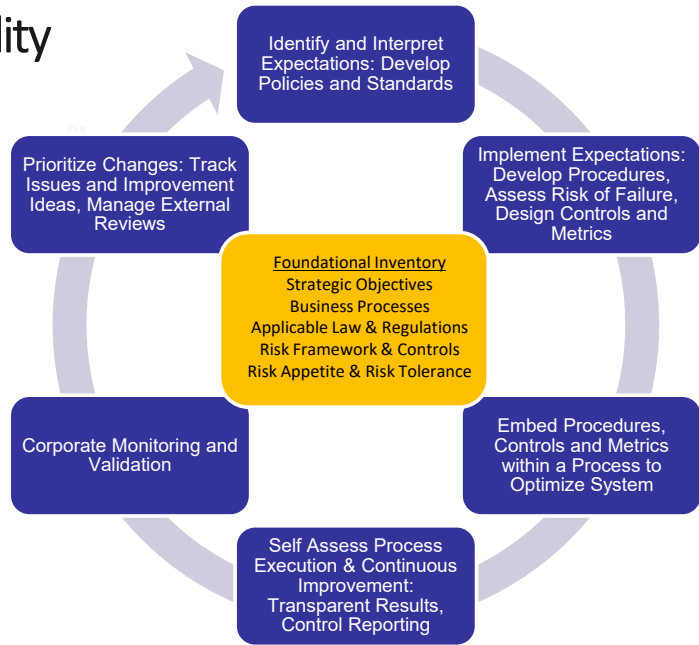
Governance Group	Primary Role / Secondary Roles?	Organizational Design – Collaboration Considerations?
Internal Audit		
Enterprise Risk Management		
Privacy Office		
Cyber/IT Security		
Ethics Office		
Human Resources		
Legal		
Corporate Secretary		
Compliance		
SIU / FWA		
Government Affairs		
Corporate Security		

Assurance Maps

- Assurance maps list the areas of “assurance” across the organization and the specific individuals/functions accountable for assurance over that area or attribute.
- Assurance map owners are accountable for knowing that the map is complete and that someone is responsible for each part of the map.
- Compliance Assurance Map
 - Owner is generally the Compliance Officer.
- Audit & Monitoring Assurance Map
 - Owner is generally the Chief Audit Executive.
- Risk Assessment Assurance Map
 - Owner is generally the Chief Risk Officer.

Process Accountability

- For each risk area, accountability is assigned for each of the steps shown.
- What should line management be doing?
- What should corporate be doing?
- What centralized / aligned processes should we have?



Source: SunHawk Consulting LLC

23

23

Process Accountability



Step 1: Who identifies and interprets expectations? Who develops the policies and standards? Who is consulted?

Step 2: Who creates the procedures and assesses risks and controls? Who is consulted in this process?

Step 3: Who combines the various sets of procedures into a business process and optimizes the process?

Step 4: Who oversees self-assessments? Who reports out to internal and external stakeholders on results? Who is informed and consulted and when?

Step 5: Who independently monitors and validates results as well as risk management and control efficacy?

Step 6: Who tracks corrective actions, improvement initiatives, and strategic initiatives? Who is involved in prioritization decisions? Who manages external stakeholder reviews?



Source: SunHawk Consulting LLC

24

Mid-Presentation Recap

- Defined Organizational Design
- Considered Why Organizational Design is Important for Compliance
- Discussed All the Governance Groups That Are Impacted by and Have an Impact on Compliance
- Discussed the SunHawk 6-Step Model for Aligning Organizational Accountability

25

What considerations should be made for organization design of the compliance program?

26

Where Are You in Your Compliance Journey?

- What is reasonable – and expected – for your industry?
- What cultural issues impact your journey?
- Who are your champions?
- Where do you plug into the corporate strategy?
- Where can you influence the Vision, Mission, Value and Governance of your organization?
- What are the capabilities of your team?
- How do you prepare to take advantage of opportunities and the next crisis?
- How do you integrate with the organization's strategy?

C-Suite / CEO / Board Tone at the Top

- Has the C-Suite / CEO / Board articulated a perspective on compliance?
- What is embodied in the mission / values statements regarding compliance?
- Is there an expectation regarding the Compliance Department role? Are stakeholders open to changing that expectation?
- Can you change gradually (so no one notices) or made big shifts in staffing, assignments, tasks (assuming you justify and communicate the need for change)?

Product Line Differences

- Commercial
- Medicaid
- Medicare

- **How are the regulatory stakeholders different?**
- **Does compliance act more as the lead stakeholder interface?**
- **Is compliance a support to others?**
- **What are the staffing implications?**

Operational Management Differences

- Service Operations Divided by Product Line:
 - Commercial
 - Medicaid
 - Medicare
- Shared Service Operations

- **How Does Compliance Add Value?**
 - **Should you align staffing assignments as management does?**
 - **Should you align staffing assignments opposite of management's approach?**

Scale of Organization Differences

- Large Multi-National Organizations
- National Organizations
- Single / Multi-State Organizations
- Multiple Subsidiaries
- Compliance Function Size
- Scale of Other Governance Function Sizes

- **What Processes Go Across the Entire Organization?**
- **What Regulators Have Global Jurisdiction Versus Limited Geography or Product Jurisdiction?**

What GRC and ERM Systems and Processes Are in Place?

Enterprise Risk Management Maturity

- Business leaders are discussing risk holistically.
- Compliance matters have a distinct place within that discussion – not separately.

Governance, Risk and Control System Maturity

- Business controls and monitoring efforts give compliance risks the appropriate weighting and transparency.
- Compliance matters are to be embedded in overall operations dashboards – not separate modules / systems.

Organizations Undergoing Change

- Leadership Changes
- Organizational Design (Realignment) In Other Parts of the Organization
- Scaling Up / Scaling Down
- New Products
- Core Systems Implementations

- **How does staffing, assignments, methodology, processes, and incentives change for the Compliance Department?**

Recapping Organizational Design

Strategy	
Formal Considerations	Informal Considerations
<ul style="list-style-type: none">• Align Staff by Business Unit / Strategic Initiative	<ul style="list-style-type: none">• Assign Someone to Monitor Change Initiatives and Share with Compliance
<ul style="list-style-type: none">• C-Suite Meeting Participation	<ul style="list-style-type: none">• C-Suite Dialogue (Coffee, Touch-Base meeting)

Recapping Organizational Design

Structure and Processes

Formal Considerations

- Reporting Relationships / Performance Evaluation Leader
- Compliance Process Accountability
- Decision Rules, Decision Trees, Detailed Templates

Informal Considerations

- Informal Reporting / Input on Performance Evaluations
- Compliance Process “Methodology” Champions and Coaches
- Principles and Values

Recapping Organizational Design

Rewards

Formal Considerations

- Incentive Compensation Goals
- HR Career Pathing / Succession Planning

Informal Considerations

- Accolades / Recognition
- Individual Goals / Learning Objectives

Recapping Organizational Design

People	
Formal Considerations	Informal Considerations
<ul style="list-style-type: none">• Onboarding Program / Training Programs	<ul style="list-style-type: none">• Mentors
<ul style="list-style-type: none">• Job Descriptions / Skill Assessments	<ul style="list-style-type: none">• Behavioral Drives and Modeling
<ul style="list-style-type: none">• Hiring Assessment / Requirements	<ul style="list-style-type: none">• Hiring Panel Participation
<ul style="list-style-type: none">• Rotation Programs	<ul style="list-style-type: none">• Team Makeup / Team Rotation

Summary

- Organizational Design 101 – Strategy, Structure, Processes, Rewards, People – Formal and Informal
- Align to Your Organization’s Strategy
- Collaborate with Other Governance Teams
- Adjust Periodically – But Get Associate Buy In

Organizational Design is Important

- If the strategy has changed but the structures, roles, functions, and decision drivers have not – chances are the organization is not fully aligned.
- If you have not been deliberate about all aspects of organizational design (see the methodologies slides), then you are, at best, leaving efforts to chance, or worse, setting associates up for conflict and missed execution as they each find their own path.

Questions?

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Accompanying Tools and Articles:

- DOJ FSG Questions Guide
- ERM Frameworks Overview
- 10 Principles for Organizational Design – Strategy&
- The Importance of Organizational Design and Structure – Harvard Business Review