

Risk Management Program Development Tool Kit

SAMPLE EXCERPT

Table of Contents

I.	Tool Kit Instructions.....	1
II.	Training Objectives.....	2
III.	Introduction.....	3
IV.	Outline: Conducting a Risk Management Assessment	65
	Sample Job Descriptions	
V.	Outline: The Risk Management Committee	121
VI.	Outline: Risk Management Policies and Procedures	127
	Sample Policies and Procedures	
VII.	Outline: Risk Management Education	193
	Visual Aids	
VIII.	Outline: Risk Management Reporting	243
	Incident Reporting	
	Sample Risk Management Reports	
	Sample Occurrence Screens	
IX.	Sample Test Questions	292
X.	Bibliography.....	294
XI.	Internet Resource List	297
XII.	Evaluation.....	303

I. Tool Kit Instructions

Thank you for purchasing the Risk Management Program Development Tool Kit. This product is intended to be instructional and informative. It is meant to be generic in nature, so you can customize the contents to the needs of your organization.

Some suggested uses for this tool kit include, but are not limited to, the following:

- Staff, Board, and physician education
- Self-study
- Talking points
- Resource for further information on the subject

Each section of the tool kit is divided by an outline, followed by speaker's notes/study guide and corresponding visual aids. The disk that is included in your tool kit will allow you to customize and update the contents as desired. ASHRM will not be responsible for tool kit content that is changed or modified by the user.

The tool kit is neither intended to provide legal advice nor to serve as a professional standard. The contents are only for purposes of information and education. It is recommended that consultation be obtained with legal counsel for advice on particular issues or concerns. In addition, consideration of all state laws and statutes is beyond the scope of this product.

Once you have had an opportunity to use the tool kit, we would appreciate your feedback. Please complete the evaluation form and return to ASHRM with your suggestions and comments.

We hope you will enjoy your tool kit. Look for other tool kits that will be available from ASHRM this year:

- Physician Office Risk Management Tool Kit
- Informed Consent Tool Kit
- Confidentiality Tool Kit

ASHRM 1999-2001 Risk Management Program Development Tool Kit Task Force

Dolores Sheppard, Chair
Lynda L. Nemeth
Catherine T. Horton
Anne V. Irving
Sandra K. Johnson, Board Liaison
Stephen Murphy, Staff Liaison

Special thanks to Jane McCaffrey

II. Risk Management Program Development Tool Kit Training Objectives

Upon completion of this risk management program development training program, you will learn:

1. Principles of risk management program development
2. Internal and external reporting expectations
3. Risk Management Committee composition and responsibilities
4. Typical risk management policies and procedures
5. Risk management educational opportunities
6. Value of risk management interface within a healthcare organization

III. Introduction

What is Risk Management?

A risk management program has four components:

1. Risk or exposure identification
2. Risk Analysis
3. Risk Treatment
4. Risk Evaluation

Risk or Exposure Identification

Risk or exposure identification requires a systematic means of detecting potential losses and a thorough and reliable approach to determine what loss events could occur.

This type of system requires a thorough understanding and identification of the operational aspects of each particular organization including the nature of the healthcare business, the legal structure, and organizational components.

The legal structure often reflects the purpose of the business (for example: a trust, corporation for profit, corporation not-for-profit, proprietorship, or partnership).

A study of the organizational components of a healthcare organization will depict the unique roles of each category of personnel and the corresponding structure designed and required to control their performance. In addition, the identification activity requires a thorough understanding of the services offered, as this delineates precisely what risk exposures may be present.

Identification also requires a thorough understanding of the processes involved in delivering each service offered.

To obtain this information, data should be gathered and include, but not be limited to, the following:

- General description of each service.
- Detailed description of how each patient service is rendered.
- What personnel perform which tasks?
- What qualifications of personnel are needed?
- What supplies or products are used?
- What process is used to select equipment?
- What process is used for product failures that occur within and outside the organization?
- What type of equipment maintenance schedule is established and what records are kept?

A thorough understanding of liability exposure information is necessary and the content and context of

care should be evaluated in light of applicable legal principles. To assist with this aspect, various data sources can be utilized to demonstrate actual and potential legal claims arising out of certain activities.

These sources include, but are not limited to:

- Organization's claims experience.
- Databases compiled from local and national claims experience.
- Incident reports and patient complaints.
- Generic/occurrence screens.

Risk Analysis

Once loss possibilities are identified, risk analysis begins the second phase in the risk management process. The general objective of risk analysis is to determine which exposures are significant enough to manage and which can be safely ignored. Specific objectives are to determine:

- The probable frequency of the occurrence of the loss.
- The possible severity of the loss.
- The effect any potential loss would have on the organization from both a financial and operational perspective.

The first two objectives are analytic approaches that almost exclusively rely on quantitative methods to evaluate risk. The next two approaches employ more qualitative techniques, such as wisdom and experience. Subjective opinions must be combined with objective data to arrive at an evaluation of loss exposures.

Risk Treatment

Once “risk” has been identified and assessed, there are two approaches to risk treatment:

- Risk control techniques (loss prevention, reduction and risk avoidance).
- Risk financing (risk reduction and transfer by insurance or other means).

Risk control techniques are attempts to achieve better control over the loss-producing activities themselves. This can be accomplished by:

- Loss prevention – reducing the frequency of loss-producing events. (identification of loss and patterns). Many times this information is available as a result of quality improvement activities.
- Loss reduction – decreasing potential severity of loss exposures.

A claims management program aimed at reducing the amount of dollar loss also may achieve loss reduction.

The elements of an effective claims management program include, but are not limited to:

1. Retention of all insurance policies.
2. Understanding of insurance coverage (such as lines of coverage, limits, and exclusions).
3. Drafting of insurance policy language to avoid later coverage adjusting problems.
4. Following all loss provision notices carefully.
5. Investigation of potential loss quickly.
6. Preservation of evidence.
7. Estimation of potential liability.
8. Estimation of judgment value.
9. Resolution of claim, if appropriate.
10. Frequent evaluation and improvement of the process.

Risk financing is the second major category of risk treatment techniques and refers to the methods used to pay for losses.

Risk retention or assumption occurs when a healthcare organization assumes the financial burden of certain risk exposures rather than purchasing insurance coverage.

Common risk financing forms are:

- Unfunded self-insurance – Funding for the cost of the loss exposure is not provided in advance.
- Funded self-insurance – Funding to cover the cost of anticipated loss exposures is provided in advance.
- Pooled self-insurance – Funding is based on the concept of several organizations forming a joint self-insurance venture.
- Single-owner captive insurance company – Organized under state or foreign governments and allows access to the reinsurance market, which reduces the retention amount within the captive.
- Multi-owner captive – Organized under state or foreign governments and has the advantage over the single-owner captive of risk spreading.
- Fronting arrangements – Organization purchases an insurance contract with the agreement to participate in the risk through an organization self-insurance mechanism. Thus, a portion of the risk is transferred back to the organization.

Are the above retention methods better than commercial insurance coverage?

Retention may have advantages. However, the amount of retention is determined by the working capital that the organization has and the premium savings.

Risk Transfer

Commercial Insurance

Risk transfer or commercial insurance coverage is the most commonly used method of financing. Once the decision is made to use commercial insurance coverage, a systematic approach to obtaining the appropriate insurance coverage is necessary. A systematic approach is outlined below:

- Decide which forms of coverage are best suited to identified needs.
- Select agents, brokers and insurers based on these coverage determinations.
- Negotiate for advantageous coverage.
- Analyze available methods of reducing insurance costs.
- Assure compliance of insurance contract terms.
- Arrange for qualified personnel or consultants to handle loss settlements and negotiations with adjusters.
- Maintain adequate records of coverage and loss data.

Noninsurance

Another approach to risk transfer is noninsurance. This is a method that involves a contractual transfer of risk from one party to another. The most common method for noninsurance risk transfer is to contractually pass the risk from one part to the other through hold-harmless agreements. By including a hold-harmless agreement or contract clause, the party who has the exclusive legal responsibility for a particular category of loss exposure transfers that risk to another party.

Risk Evaluation

Evaluation is the final step in the ongoing risk management process. Regardless of the criteria used, the process of evaluative feedback closes the loop on the risk management decision-making process. This is not an easy task, and the purpose here is to briefly discuss the concepts of the evaluation component and emphasize its importance in the risk management process.

Each component must be evaluated for its continuing success in meeting its objective. The following questions are suggested as a starting point:

Risk Identification

1. Have exposures been missed in the identification activity? If so, why?
2. What adjustments are necessary to improve this phase?
3. Are you gathering useful data?
4. Are your exposures being updated with other current data input?

Risk Analysis

1. Does your analytic process capture important quantitative data and consider important qualitative issues?
2. Is your analytic process being used to make decisions on risk treatment?

Risk Treatment

1. Are risk control and risk financing methods used for each exposure type?
2. Are you actually evaluating the exposures to determine which treatment methods are appropriate?
3. Are you aware of current insurance market positions concerning availability and costs of insurance coverage?

Information gathering is essential for both risk management and quality management/improvement activities. Both functions should be part of an integrated or at least a complementary system. Linking risk management and quality management are information gathering and clinical analysis, which are designed to identify patterns of patient care events that may lead to suboptimal outcomes. Even if the outcomes have no loss potential, they still identify areas where patient care needs improvement.

Risk identification requires systematic information gathering from internal and external sources. Internal information may be non-claims related or claims related. External information also may be non-claims and claims related and tends to come from published reports generated by outside agencies.

Occurrence screening reporting and analysis provide early warning of potential areas of malpractice exposure and permit determination about how such exposure can be minimized, presently and in the future. Of course, incident reports are also another valuable management tool. By collecting, aggregating, and analyzing reported incidents, management learns about system breakdowns, equipment defects, and training requirements.

Organizational Commitment

A total risk management program requires organization-wide commitment, including the board of directors, medical staff, management, employees, and contract services personnel. Organizational integration with medical staff quality management activities is essential to protecting the organization and its physicians.

The risk management program needs a focal point. The risk manager is the focal point of the program. It is essential that this individual be:

- Experienced in healthcare organizations, preferably quality management or administration.
- Able to function at the level of an administrator.
- Able to develop and to maintain credibility with the medical and nursing staffs.
- Knowledgeable about insurance and legal issues.
- Adept at interpersonal relations and oral communication.

To assure the broad organizational support and authority needed for the risk manager to function effectively, the position should report to as high a level in the organization as is practicable. In addition, the specific inclusion of the risk management functions in hospital corporate and medical staff bylaws is necessary to legitimize the responsibility of, and to provide authority for, the loss control function.

Most importantly, a risk management program cannot succeed unless the hospital board oversees the information gathering and uses activities that relate to quality management and loss prevention.

This introductory information is intended to be a brief overview of the necessary components of a risk management program. The contents of this Risk Management Program Development Tool Kit were developed to provide you with sample documents, tools and resources to help you to develop or further strengthen your risk management program.

The Integrated Risk Management System

