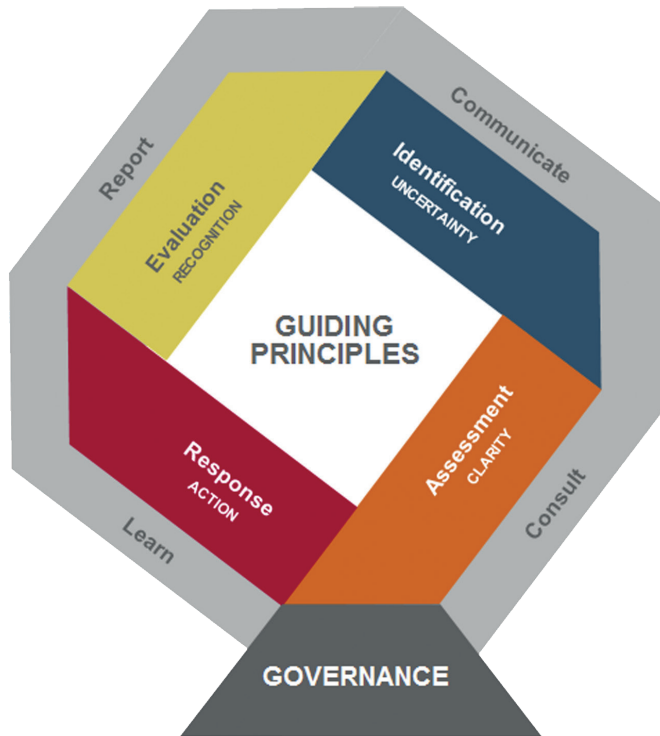


# Enterprise Risk Management

Enterprise risk management (ERM) in healthcare promotes a comprehensive framework for making risk management decisions which maximize value protection and creation by managing risk and uncertainty and their connections to total value.

## ERM Framework



## Guiding Principles

The following guiding principles in concert with ASHRM's mission and vision have been developed as basic building blocks supporting the framework for ERM in healthcare:

- Advance safe and trusted healthcare
- Manage uncertainty
- Maximize value protection and creation
- Encourage multidisciplinary accountability
- Optimize organizational readiness
- Promote positive organizational culture which will impact readiness and success
- Utilize data/metrics to prioritize risks
- Align risk appetite and strategy

## ERM Practices:

1. Are continuous
2. Require a paradigm shift in how an organization identifies and manages risks and opportunities
3. Are "not a stop on the road, but a journey"

## ERM Domains

### Operational



### Clinical/Patient Safety



### Strategic



### Financial



### Human Capital



### Legal/ Regulatory











### Technology



### Hazard



## ERM Risk Domains

| Domain  | Description/Example  |
|---|--|
| <b>Operational</b><br>             | <p>The business of healthcare is the delivery of care that is safe, timely, effective, efficient, and patient-centered within diverse populations. Operational risks relate to those risks resulting from inadequate or failed internal processes, people, or systems that affect business operations. Included are risks related to: adverse event management, credentialing and staffing, documentation, chain of command, and deviation from practice.</p>  |
| <b>Clinical/Patient Safety</b><br> | <p>Risks associated with the delivery of care to residents, patients and other healthcare customers. Clinical risks include: failure to follow evidence based practice, medication errors, hospital acquired conditions (HAC), serious safety events (SSE), and others.</p>  |
| <b>Strategic</b><br>               | <p>Risks associated with the focus and direction of the organization. Because the rapid pace of change can create unpredictability, risks included within the strategic domain are associated with brand, reputation, competition, failure to adapt to changing times, health reform or customer priorities. Managed care relationships/partnerships, conflict of interest, marketing and sales, media relations, mergers, acquisitions, divestitures, joint ventures, affiliations and other business arrangements, contract administration, and advertising are other areas generally considered as potential strategic risks.</p> |
| <b>Financial</b><br>              | <p>Decisions that affect the financial sustainability of the organization, access to capital or external financial ratings through business relationships or the timing and recognition of revenue and expenses make up this domain. Risks might include: costs associated with malpractice, litigation, and insurance, capital structure, credit and interest rate fluctuations, foreign exchange, growth in programs and facilities, capital equipment, corporate compliance (fraud and abuse), accounts receivable, days of cash on hand, capitation contracts, billing and collection.</p>                                       |
| <b>Human Capital</b><br>         | <p>This domain refers to the organization's workforce. This is an important issue in today's tight labor and economic markets. Included are risks associated with employee selection, retention, turnover, staffing, absenteeism, on-the-job work-related injuries (workers' compensation), work schedules and fatigue, productivity and compensation. Human capital associated risks may cover recruitment, retention, and termination of members of the medical and allied health staff.</p>   |
| <b>Legal/Regulatory</b><br>      | <p>Risk within this domain incorporates the failure to identify, manage and monitor legal, regulatory, and statutory mandates on a local, state and federal level. Such risks are generally associated with fraud and abuse, licensure, accreditation, product liability, management liability, Centers for Medicare and Medicaid Services (CMS) Conditions of Participation (CoPs) and Conditions for Coverage (CfC), as well as issues related to intellectual property.</p>   |
| <b>Technology</b><br>            | <p>This domain covers machines, hardware, equipment, devices and tools, but can also include techniques, systems and methods of organization. Healthcare has seen an explosion in the use of technology for clinical diagnosis and treatment, training and education, information storage and retrieval, and asset preservation. Examples also include Risk Management Information Systems (RMIS), Electronic Health Records (EHR) and Meaningful Use, social networking and cyber liability.</p>  |
| <b>Hazard</b><br>                | <p>This ERM domain covers assets and their value. Traditionally, insurable hazard risk has related to natural exposure and business interruption. Specific risks can also include risk related to: facility management, plant age, parking (lighting, location, and security), valuables, construction/renovation, earthquakes, windstorms, tornadoes, floods, fires.</p>  |