

# T E X ★ S Hospitals

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## RISKY BUSINESS:

### *Enterprise Risk Management Allows Hospitals to Reduce Risks*

BY DIANA SMITH

Any chief executive officer will tell you that risk is a part of every industry. Yet, with life-and-death dramas played out countless times each day, it is hard to argue that hospitals do not face some of the most difficult challenges. Add to that, public demands for patient safety and quality, declining revenues, regulatory and accreditation pressures and exacting compliance issues. It all adds up to a health care pressure cooker about to boil over.

In today's uncertain and volatile health care world, hospital CEOs are looking for results-focused, organization-wide ways to identify and minimize both tangible and intangible risks. Increasingly, they are opting for enterprise risk management, a concept successfully used in the highly regulated U.S. financial services industry, and all across Europe.

"Traditionally, hospitals bought insurance, investigated incidents and developed safety processes. Yet, hospitals can do more," said Barry Couch, CEO and cofounder of HealthSure Consultants, LLC, a national enterprise risk management firm based in Temple. "Enterprise risk management represents a fundamental shift in the way hospitals/health systems approach risk. The concept allows health care facilities to move beyond traditional definitions of risk, and then put in place processes facility-wide that identify and alleviate risks," explained Couch.

"It's like preventive medicine," said Jeff Bourgeois, CEO of Hill Country Memorial Hospital in Fredericksburg, which started the process earlier this year.

Tucker Bonner, CEO of King's Daughters Hospital in Temple, added, "We are using enterprise risk management to understand more clearly what our exposures are and what the best solutions are to ensure that we manage our risk as appropriately and effectively as we can."

#### WHAT IS ENTERPRISE RISK MANAGEMENT?

Enterprise risk management is a process, not a specific product or project, according to Couch. Not only does the proactive strategy identify an organization's biggest risks, but it also identifies opportunities as well, which organizations can use to gain a competitive edge.

The concept of enterprise risk management has been around since the 1990s, but increasingly has been embraced by business CEOs facing competitive, economic and political threats. The strategy is likely to be implemented by most of the world's major multinational corporations over the next few years, according to a Price Waterhouse Coopers survey of 1,400 CEOs reported in *Newsweek* earlier this year.

#### WHY IT WORKS FOR HEALTH CARE

The enterprise risk management process is useful particularly in a health care setting, said Couch and his HealthSure partners, Eric Lister, M.D., and Ann Heape, RN, M.S.

Health care leaders face patient safety and quality issues, increased competition, professionals shortages, advancing technology and declining reimbursement. With patient safety and quality a top issue for hospital CEOs and boards, many are looking to enterprise risk management to help them identify risks in this area and set up processes, systems, skills, priorities and information to eliminate risks of error.

HealthSure Consultants has developed an ERM process specifically designed to strengthen health care organizations. "Enterprise risk management will treat a broad array of risk issues within the complex world of health care," said Couch. "Some are more limited in scope within the responsibilities of the hospital and others are system-wide, such as patient safety initiatives. For example," Couch added, "patient safety is a culture requiring the entire organization's involvement versus the risks associated with inadequate reimbursement, which is the responsibility of a few key members of the staff to manage and control. The process we use, The Risk Integrity Process™, is designed to facilitate a collective response from the leadership on their ability to face and deal with the risk challenges," Couch concluded.

Lister added, “For health care in America to truly live up to its potential, integrating approaches to quality, risk and service is essential. We think that we have found a way to integrate the usually siloed attention to these matters – horizontally (across functional areas) and vertically (from boardroom to bedside).”

### WHAT CEOs DEAL WITH EVERY DAY

Basically, “ERM is a very global way of looking at risk,” suggested Jeff Driver, chief risk officer of Stanford University Medical Center and president of the American Society for Healthcare Risk Management. “Organizations are more complex and risk management issues are more diverse than they were 10 to 20 years ago.” Driver said, “In the 1970s, we focused mainly on malpractice. Today, there are many more new and emerging risks – from cyberspace to terrorism. Now, we are not looking at one particular risk but corner-to-corner risk.”

Health care, in particular, tended to look at risk management in silos. Traditionally, hospitals insured or eliminated the risk. “The concept of enterprise risk management embraces risk and focuses on all aspects of an industry – operational, financial and strategic. The goal of ERM is to get a complete risk assessment – it finds the risks across a facility and addresses them. Progressive hospitals will find the risk and formulate a plan – to survive and thrive,” he added.

The HealthSure Consultants model uses a three-phase process beginning with factors CEOs deal with every day. Lister said they look at:

- Governance/leadership risks,
- Operational risks,
- Market risks, and
- External environment risks.

### WHO’S USING IT?

Two Texas health care facilities are in the initial stages of ERM – the previously mentioned Hill Country Memorial Hospital in Fredericksburg and King’s Daughters Hospital in Temple. Both are looking to the process to focus on quality and patient safety initiatives and find an advantage in today’s ultra-competitive marketplace.

“We’ve been working for several years to move toward a position of less reliance on traditional liability insurance as part of a strategy to reduce costs associated with our organization’s risk management program,” said Bourgeois. “As a private nonprofit health system, we are not able to take advantage of caps on liability exposure that public hospitals have available to them. That, combined with the increased cost of premiums, put us on this road. ERM fits into this strategy.”

Bourgeois added, “Our board and staff can all see the value from a patient safety point of view, and each step we take toward self-insurance puts our own resources on the line. That is a great incentive to prevent claims before they happen.”

Bonner of King’s Daughters agrees. “In today’s environment, it just makes good sense to look at risk management for the entire scope of the operation as opposed to a more traditional focus on clinical issues.” ★

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A former editor at THA and the SETON Healthcare Network, Diana Smith has been writing about health care and other industry topics for more than 15 years. She can be reached at [dianas@flash.net](mailto:dianas@flash.net).

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