



3 ways to manage uncertainty in health care today  
June 10, 2021

# HEALTH CARE WEBCAST SERIES

SPRING 2021



# Today's presenters



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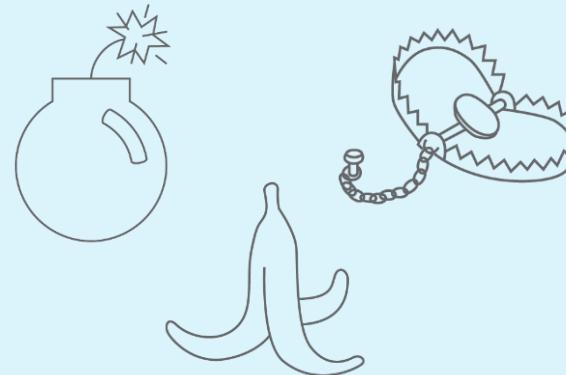
A green promotional graphic for a webcast. It features the RSM logo and the text "HEALTH CARE WEBCAST SERIES" with a Wi-Fi icon. Below this, there are three icons: a clipboard with a checklist, a building, and a medical cross. Dashed lines connect these icons to three numbered circles (1, 2, 3). The text "3 ways to manage uncertainty in health care today" is displayed in large white font, and the date and time "Thurs., June 10 | 1:00 P.M. – 2:30 P.M. EST" are at the bottom.

# Why is “Risk” a hot topic in health care?

The health care industry is experiencing unprecedented change, which is requiring organizations to build and strengthen their capabilities to anticipate, understand, plan for and respond to the emerging risks and opportunities that exist throughout their enterprise and across the continuum of care.

## Risk types include but are not limited to:

- Strategic
- Financial
- Regulatory/Compliance
- Operational
- Clinical
- Reputational
- Competitive
- Cyber
- IT

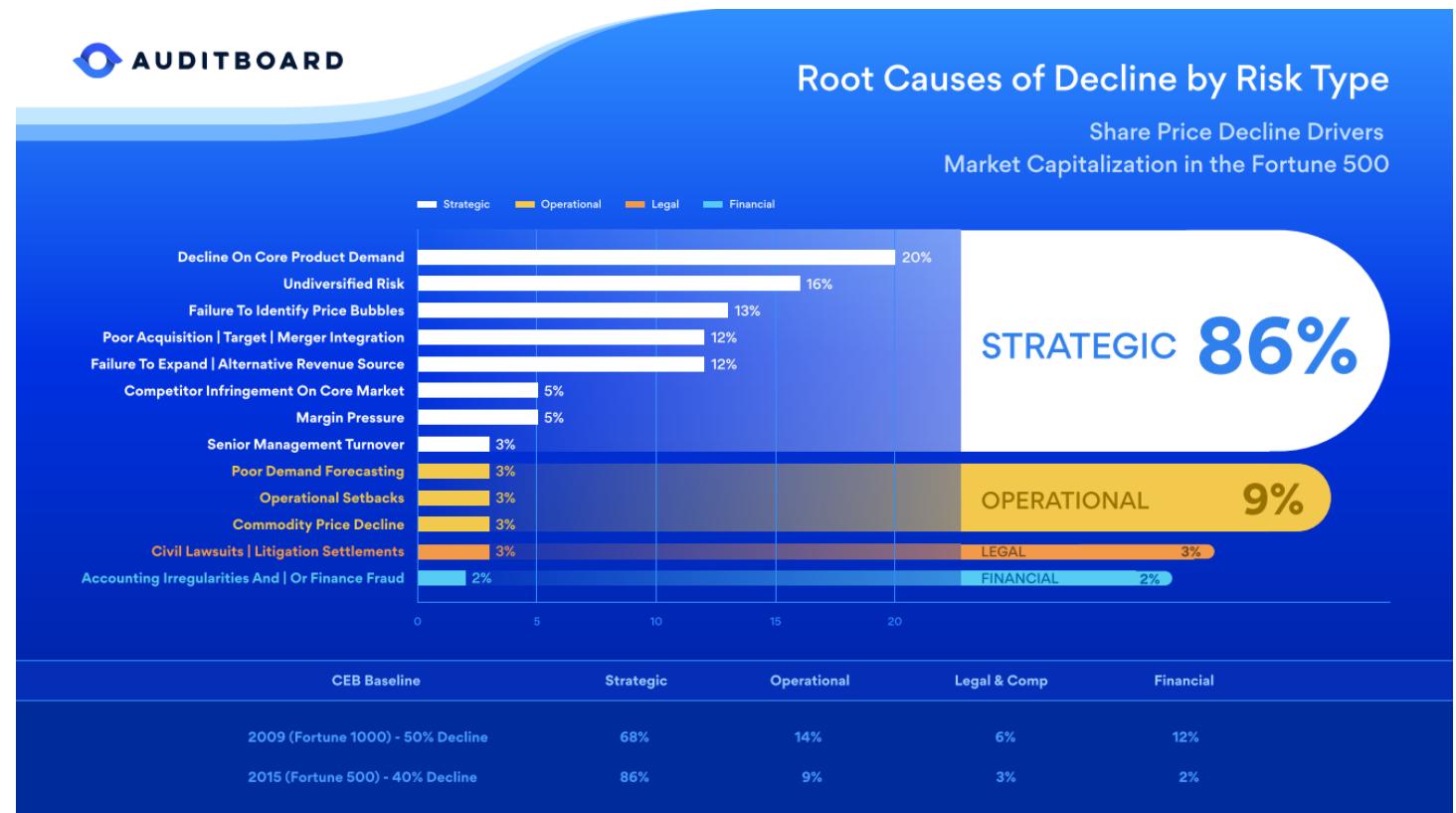


*Stakes are high – Boundaries of risk are expanding – Industry specific complexity demands subject matter expertise – Resources are scarce*

# Root Causes of Decline by Risk Type

## Looking for risk in all the wrong places

Organizations have traditionally focused most of its risk management resources on legal, compliance and financial reporting functions. That's starting to change as organizations realize that most big hits to shareholder value come from strategic and operating risks.



CEB/Gartner Group Study, "Executive Guidance: Reducing Risk Management's Organizational Drag," 2014.

# Managing Risk: 3 Essential Components

In order to build and strengthen the capabilities required to anticipate, understand, plan for and respond to the emerging risks and opportunities that exist throughout your enterprise and across the continuum of care you may wish to consider the following:

## Cross Department Collaboration, Cooperation and Coordination

***Deliberate and meaningful teaming by multiple departments to achieve the common, collective goal of risk management***

- Internal Audit
- Compliance
- ERM
- Cyber
- Security and Privacy

## Utilization of Technology / Tools

***Audit Management and/or GRC software that centralizes risk management activities, enables collaboration and provides real-time visibility***

- Risk Assessment Methodology, Process and Results
- Auditing and Monitoring Plans
- Audit execution / Project Management
- Audit Reports / Results
- Audit issue tracking and follow-up
- Departmental performance against metrics
- Supporting documentation / work papers

## Leveraging Data Analytics

***Identification, collection, review and assessment of select organizational data that provides insight into potential risk trends and informs risk response***

- Enables both Assurance and Advisory roles
- Proactive and Predictive
- Likely already exists - just need to know where to look

# Managing Risk: 3 Essential Components

Cross Department Collaboration,  
Cooperation and Coordination

Utilization of Technology / Tools

Leveraging Data Analytics

## Benefits of this approach:

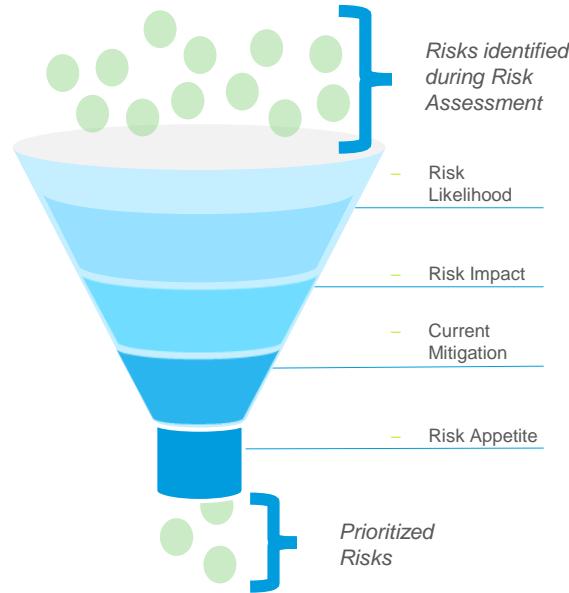
- Complete inventory / coverage of risk – nothing falls through the cracks
- Holistic view of complex risks that often include elements from multiple departments
- Efficient, effective use of time and resources – no duplication of efforts / no wasting stakeholder's time
- Consistent and clear definitions of risk, risk rankings and reporting of audit results
- Demonstrates importance / commitment by organization to manage risk through consistent messaging and clear communication to organization
- Enhance accountability and responsibility by embedding risk management in culture
- Understand the interdependency of organizational and reputational risks

## Activities positively impacted:

- Risk Assessment design, completion and reporting of results
- Audit plan development and individual audit scoping
- Identification of risk owners and assignment of risk responses
- Audit staffing and teaming approach
- Audit Report templates, risk ranking definitions
- Audit & Compliance Committee materials / presentations
  - Audit Results
  - Department Performance Metrics
- Communication / Messaging to the organization

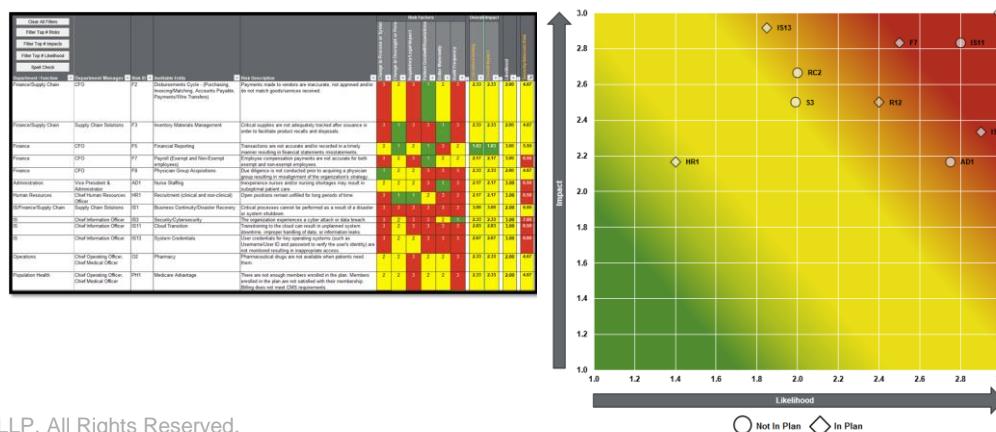


# Risk Assessment Approach and Results



Examples of risk factors considered include, but aren't limited to:

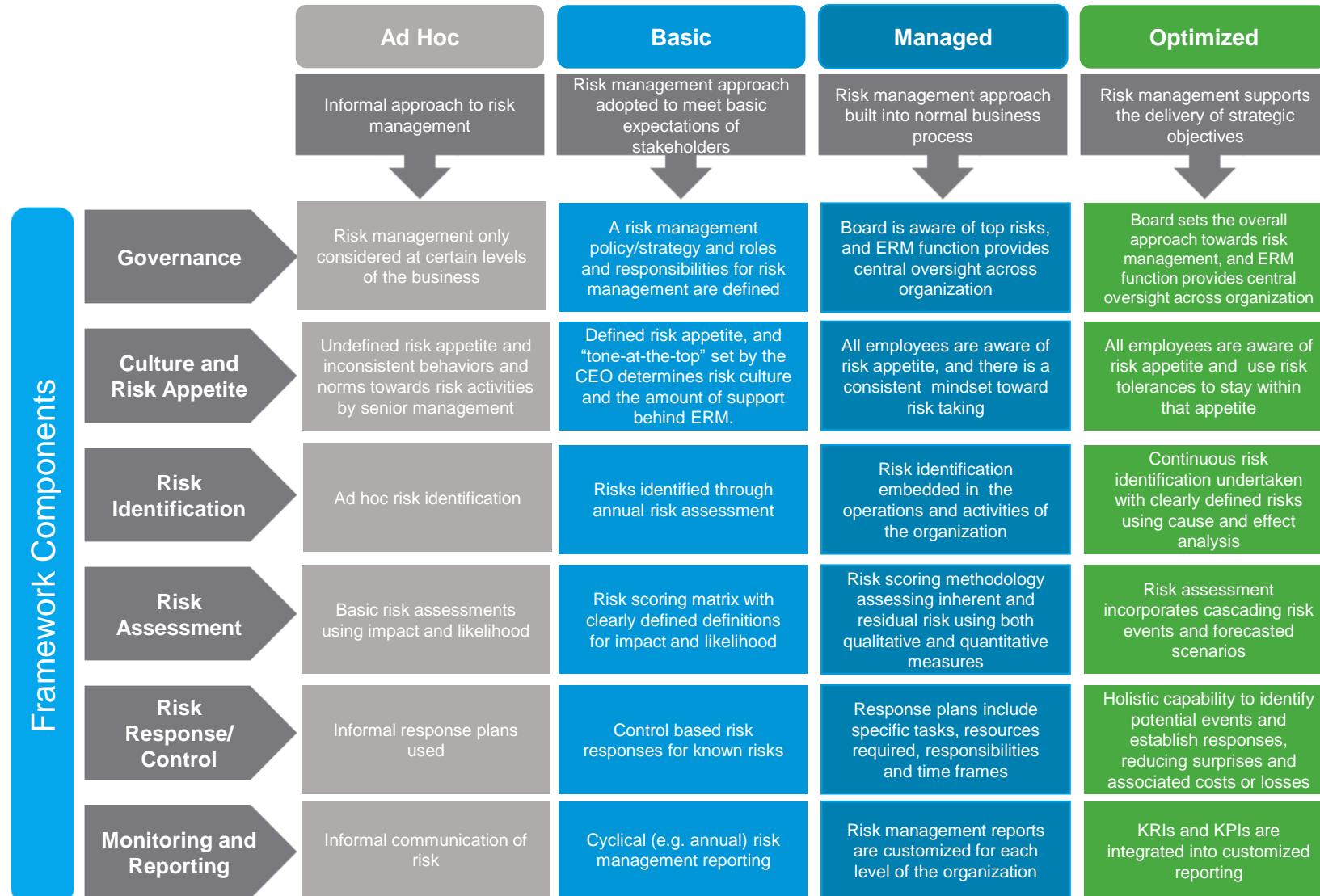
- Degree of impact to patient care or employee safety
- Degree of impact to reputation and commitment to your community
- Legal or regulatory risk considerations
- Degree of relationship to strategic clinical or financial initiatives
- Degree of direct financial impact
- Degree of process or system change
- Degree of oversight or personnel change
- History of known process or system vulnerabilities
- Existence and degree of upstream and/or downstream implications of process or system change (unintended consequences)
- Speed of risk onset or estimated risk response time



Risk Assessment Filters		Included Criteria		Copy Heat Map	
Department / Function	All	Impact	2.50	Yes	
Department Manager	All	Likelihood	2.75	No	
Other Filters (if applicable)	Top 10 Overall Risks				
Finance	P7	Payroll (Exempt and Non-Exempt employees)	2.83	2.50	Yes
Administrative	AD1	Nurse Staffing	2.17	2.75	No
Human Resources	HR1	Recruitment (clinical and non-clinical)	2.17	1.40	Yes
IS/Finance/Supply Chain	B1	Business Continuity/Disaster Recovery	3.00	2.99	Yes
IS	B3	Security/Cybersecurity	2.33	2.90	Yes
IS	IS11	Cloud Transition	2.83	2.80	No
IS	IS13	System Credentials	2.67	1.85	Yes
Regulatory Affairs & Risk Management	R13	Physician Contracting	2.50	2.40	Yes
Clinical	RC2	Behavioral Health	2.67	2.00	No
Strategy and Performance Improvement	S3	Data Stewardship and Integrity	2.50	1.99	No

High Risk Auditable Entities			Audit Coverage			
Risk ID	Auditable Entity	Severity Risk Rating	Prior Year Audit	2021	2022	2023
1	Cloud Transition	8.50	No			
2	System Credentials	8.00	Yes	●		
3	Behavioral Health	8.00	No		●	
4	Physician Contracting	7.50	No		●	
5	Data Stewardship and Integrity	7.50	No		●	
6	Security/Cybersecurity	7.00	No		●	
7	Nurse Staffing	6.50	No	●		
8	Payroll	6.50	No	●		
9	Recruitment	6.50	Yes	●	●	
10	Business Continuity/Disaster Recovery	6.00	Yes	●	●	
11	Financial Reporting	5.50	No		●	
12	Change Management	5.50	No		●	
13	Patient Experience	5.50	No		●	
14	Hospice and Home Health	5.00	No		●	
15	Patient Financial Services	5.00	No		●	
16	Drug Diversion/Controlled Substance	4.87	No		●	
17	Disbursements Cycle	4.67	No		●	
18	Inventory Materials Management	4.67	No		●	
19	Physician Group Acquisitions	4.67	No		●	
20	Pharmacy	4.67	No		●	

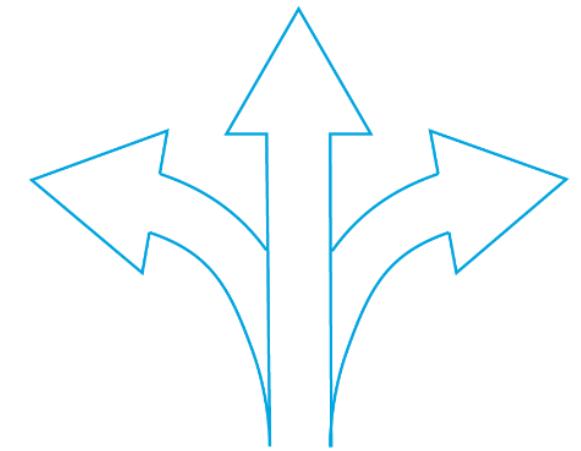
# ERM Capability Model



# Considerations for “getting out of first gear”: The importance of culture

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- Consider a Structure / Framework
- Understand the politics and culture of the organization
- Obtain agreement as to why the organization is doing this
- Tone at the top - CEO / Leadership support
- Solicit Board / Audit & Compliance Committee input
- Establish a clear link to the strategic planning process
- Identify a risk champion and committee within the organization
- Possess the requisite broad industry expertise
- Develop consistent “risk language” and processes that make sense to the organization



***\* All of the above may not be achieved in year one***

# Considerations for “making it stick”

Success comes in many forms

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- Prioritize ‘quick-wins’ like enhanced organizational communication on an important matter, decision support on a key topic, increased visibility into a previous blind spot.
- Ensure alignment with strategic imperatives and “rewarded” risk-taking (i.e., keep the program close to the C-suite), as well as more traditional compliance / “unrewarded” risks.
- Demonstrate value not previously realized within the organization (e.g., add “advisory” to “assurance,” predictive risk analytics).
- Team with HR leadership to create / enhance innovative leadership development programs supporting risk management.
- Continuously integrate industry insights / competitive intelligence into the process.



# Managing Risk: 3 Essential Components

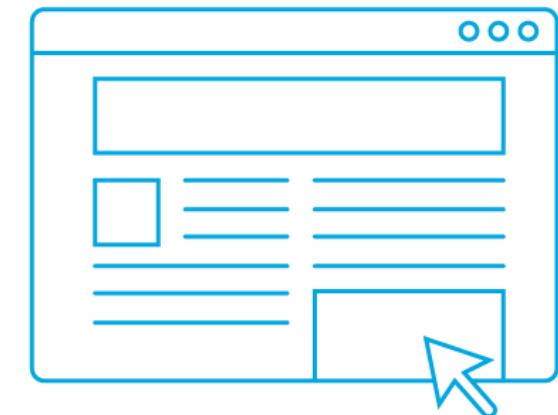
Cross Department Collaboration,  
Cooperation and Coordination

Utilization of Technology / Tools

Leveraging Data Analytics

## Benefits of this approach

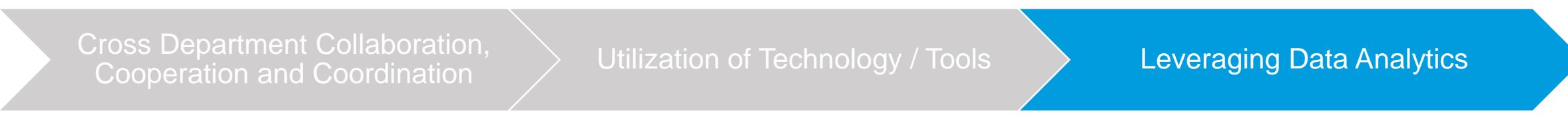
- Single Source / Repository
- Access / Ease of use
- Automation
  - Inner-Department Communication (Approval workflows, calendars, etc.)
  - Stakeholder Communication (Document Request Lists, Audit Issue Tracking, etc.)
- Version Control
- Reporting – three levels (Entity, Location, Department)
- Performance Dashboards
- Archiving / Record Retention
- User access and privilege monitoring and alerts
- Policies and Procedures standardization and coordination



## Proposed Uses

- Risk Assessment Methodology, Process and Results
- Auditing and Monitoring Plans
- Audit Reports / Results
- Audit issue tracking and follow-up
- Departmental performance against metrics
- Compliance activity monitoring and reporting (code of conduct, conflict of interest, sanction screening, etc.)

# Managing Risk: 3 Essential Components



Cross Department Collaboration,  
Cooperation and Coordination

Utilization of Technology / Tools

Leveraging Data Analytics

## Benefits of this approach:

- Proactive vs. Reactive
- Predictive / Anticipatory
- Cost effective (It likely already exists and is typically being reviewed already by the department.)
- Demonstrates Value Add / Promotes communication and stakeholder relationship building
- Can help inform decisions regarding allocation of audit resources / Prioritization of risk areas

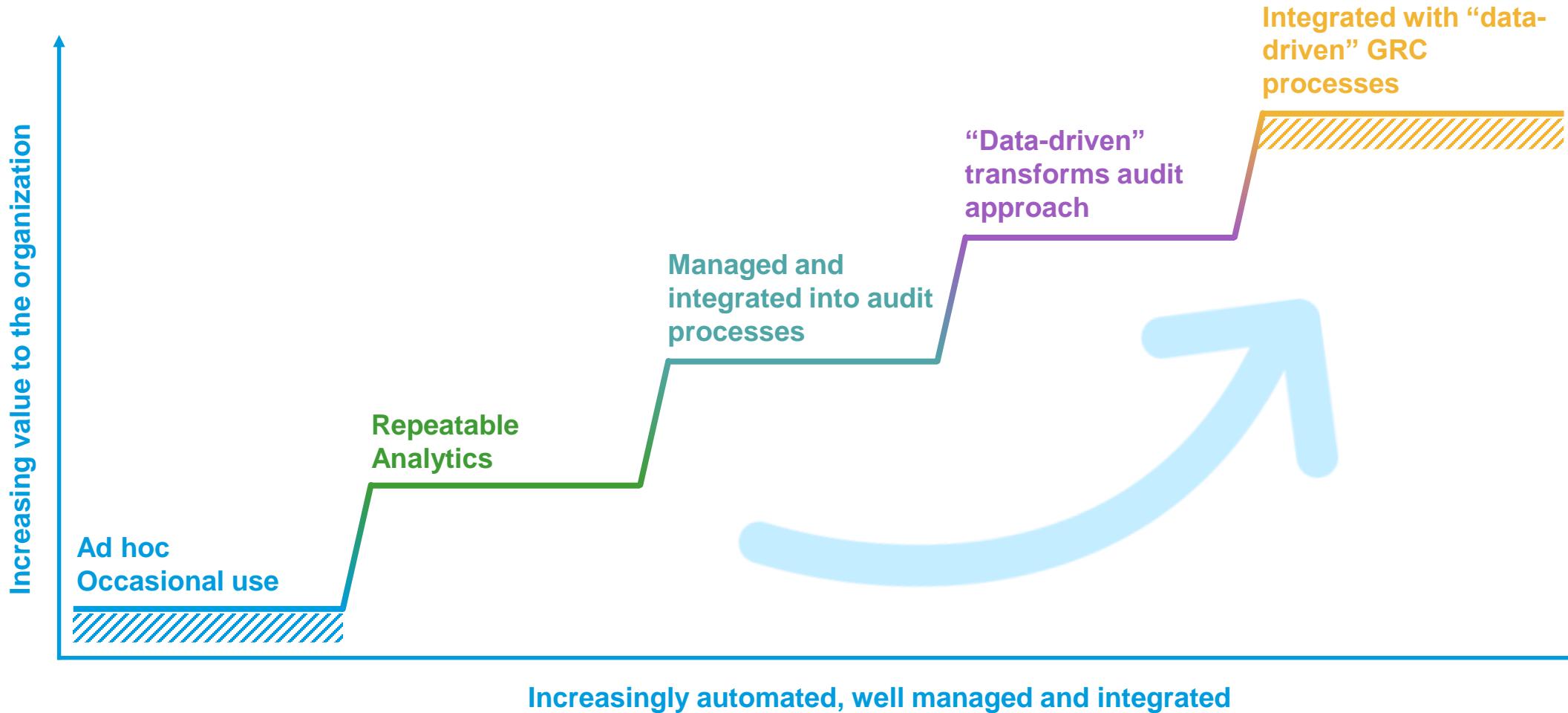
## Where does this data reside?

**(Answer = it's usually there somewhere, you just have to know who to ask and where to look)**

- Enterprise Resource Planning (ERP) System
- Revenue Cycle Management (RCM) System
- Electronic Health Record (EHR) System
- Department Operations / Dashboards / KPIs
- Regulators provide clues - preview of audit areas (i.e., OIG work plan)
- Vendor reporting (if managed / outsourced to vendor – i.e., Rev Cycle)



# Audit analytics process maturity model



# Integrating Data Analytics Across the Entire Audit Process



## LEARN

- Profile business activity: Who, What, Where, When, Why and How?
- Model business process outcomes and residual risk to identify potential areas of concern
- Report changes within the organization and systems
- Conduct Exploratory Data Analysis (EDA) – what could we be looking at?

## CATCH

- Identify persistent or new risks
- Detect anomalous / irregular patterns
- Identify noncompliance
- Detect fraudulent activity
- Flag waste and abuse

## CONFIRM

- Attest to the effectiveness of a control
- Affirm something's existence
- Corroborate an allegation
- Substantiate an audit finding

## VALUATE

- Assess impact of an event
- Estimate likelihood or probability
- Calculate level of effort, return on investment, or cost of implementation
- Calculate the total cost of a control

*Each mode can be ad hoc, repeatable or continuous*

# RSM Analytic Library Examples

	TE/PCARD	PP	RR	Inventory	HRP	IT/ITGC
Ad hoc	<ul style="list-style-type: none"> <li>Spender / Merchant profiling</li> <li>Spend near home location</li> <li>Approval pattern analysis</li> <li>Cardholder not active employee</li> <li>Match to bank feeds</li> <li>Rebate optimization</li> </ul>	<ul style="list-style-type: none"> <li>One time vendor use</li> <li>Bid rigging</li> <li>Out of sequence activity</li> <li>Open credit memo</li> <li>Redirected payments</li> <li>Disbursements not through AP</li> </ul>	<ul style="list-style-type: none"> <li>Profiling JEs by poster, approver, day, time, size, location</li> <li>JE approvals within authorization limits</li> <li>Fixed asset depreciation recalculation</li> <li>Ratio analysis</li> </ul>	<ul style="list-style-type: none"> <li>MRP purchase item, but in inventory</li> <li>Inventory as percent of sales</li> <li>Purchase of direct goods not on an active bill-of-materials</li> <li>Adjustments by unexpected users</li> </ul>	<ul style="list-style-type: none"> <li>Skills gaps</li> <li>Health &amp; Safety incidents</li> <li>Healthcare claims</li> <li>Suspicious pay changes</li> <li>Unsupported time entries</li> <li>Nurse Shift differentials</li> </ul>	<ul style="list-style-type: none"> <li>Logical/physical access</li> <li>Incident profiling</li> <li>Application changes</li> <li>SLA verification</li> <li>Software licensing</li> <li>Patch compliance</li> </ul>
Repeatable	<ul style="list-style-type: none"> <li>Meals and attendees</li> <li>Unassigned corporate card transactions</li> <li>Unusual lodging and airfare</li> <li>Excessive meals and entertainment</li> <li>Charges to miscellaneous expense categories</li> </ul>	<ul style="list-style-type: none"> <li>PO changes over time</li> <li>3-way match</li> <li>Sole source hi-risk vendors</li> <li>Concentrated transaction</li> <li>Tolerance abuse</li> <li>Posting to risky GL</li> <li>Changes to high-risk vendor master fields</li> </ul>	<ul style="list-style-type: none"> <li>Aged CIP</li> <li>Assets in use beyond expected life</li> <li>Unusual account posting combinations</li> <li>Posting to period not near entry date</li> <li>Manual posting to system account</li> </ul>	<ul style="list-style-type: none"> <li>Aged finished goods</li> <li>Aged WIP</li> <li>Vendor managed inventory</li> <li>Unusual movements to obsolete/scrap</li> <li>Excessive returns</li> <li>Duplicate inventory</li> <li>Unused inventory</li> <li>Goods received and returned by same ID</li> </ul>	<ul style="list-style-type: none"> <li>Suspicious work times</li> <li>Off cycle payments</li> <li>Excessive Overtime</li> <li>Missing training records</li> <li>Ghost employees</li> <li>Negative PTO balances</li> <li>Unauthorized HR changes</li> </ul>	<ul style="list-style-type: none"> <li>Backup log review</li> <li>Event log review</li> <li>Active Directory attribution testing</li> <li>Account provisioning</li> <li>Termination testing</li> <li>Patch monitoring</li> <li>Anti-X monitoring</li> </ul>
Optimized	<ul style="list-style-type: none"> <li>Appropriate approval</li> <li>Unusual expense combinations</li> <li>Unauthorized merchant/MCC</li> <li>Outlier expenses and spenders</li> <li>Late Expenses / Past Due</li> <li>Abnormal timing between processes</li> </ul>	<ul style="list-style-type: none"> <li>Unusual address</li> <li>Payment out of country bank</li> <li>Discounts not taken</li> <li>Reanimated / evergreen PO</li> <li>Invoice number formats</li> <li>Predated / Backdates invoices</li> <li>Invoices with no PO</li> </ul>	<ul style="list-style-type: none"> <li>Non-standard JE's, including unusual reversals and adjustments</li> <li>Segments created/changed</li> <li>Entries to seldom-used/dormant accounts</li> <li>Entry by unexpected user ID</li> </ul>	<ul style="list-style-type: none"> <li>Time in Quality Inspect</li> <li>Timely inventory/cycle counts</li> <li>Floor-to-Sheet and Sheet-to-Floor sampling</li> <li>Statistical anomalies</li> </ul>		<p><b>Utility Analytics (Cross-Audit and Process)</b></p> <ul style="list-style-type: none"> <li>Duplicate/split transaction</li> <li>Keyword search</li> <li>Transactional SoD</li> <li>Related parties</li> <li>Outlier/extreme values</li> <li>Suspicious times and dates</li> </ul>

# Clinical Risk Analytics Example: Emergency Department Throughput

Metric	Why it matters	Possible Causes
LWBS (left without being seen) >3%	<u>Quality</u> Patient was not treated, risk of poor outcome <u>Patient Experience</u> LWBS usually indicates unsatisfied patient	<ul style="list-style-type: none"><li>• Long wait time</li><li>• Poor Communication</li></ul>
Boarder time > 2 hours	<u>Cost</u> Emergency treatment is usually higher cost <u>Quality</u> Treatment often delayed Care will be better in correct unit	<ul style="list-style-type: none"><li>• Full inpatient units</li><li>• Slow consult responses</li><li>• Nursing shortages</li></ul>
Occupancy > 90% Boarder occupancy > 25%	<u>Cost</u> High census plans are disruptive and costly <u>Quality</u> High occupancy increases delays	<ul style="list-style-type: none"><li>• Unexpected arrivals</li><li>• Full inpatient units</li><li>• Slow consult responses</li><li>• Nursing shortages</li></ul>

## How to measure ED throughput:

- Door to Triage (< 10 minutes)
- Door to Doc (< 30 minutes)
- ED length of stay

## Best practice treatment goals:

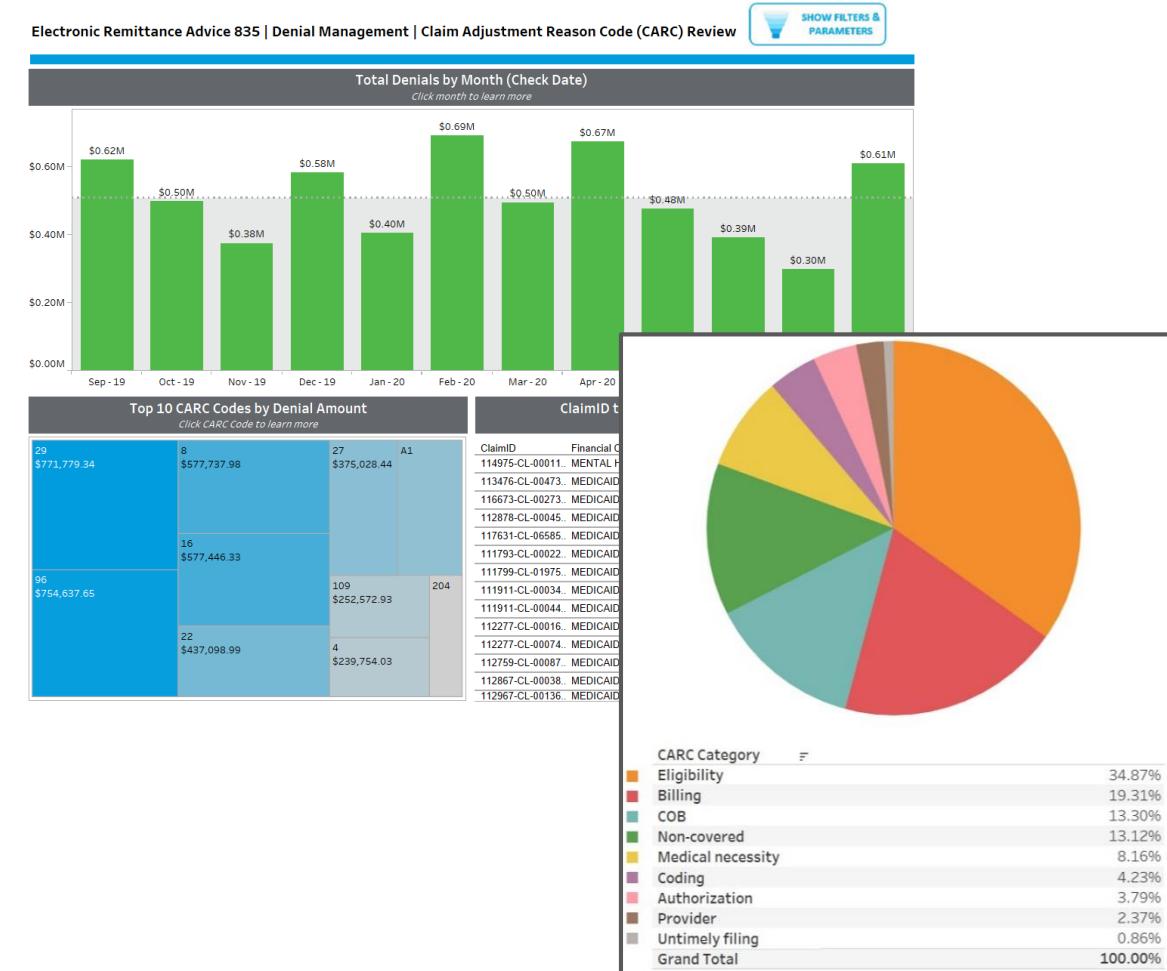
- Door to EKG < 10 minutes for chest pain
- Door to balloon < 90 minutes for STEMI
- Door to antibiotic < 60 minutes for sepsis
- Door to needle < 45 minutes for ischemic stroke
- Door to mask < 120 minutes for COPD

# Rev Cycle Analytics Example

## 835 Denials Claim Adjustment Reason Codes (CARC)

### Use Case Overview

- Comparison of Write Off Report to 835 Remittance Data to estimate quantity of write-offs resulting from preventable denials.
- Grouping of Write Offs from actionable denials based on the Claim Adjustment Reason Code (CARC)
- Matching of write off report to the 835 denial data to determine the percentage of each type of denial within the sample
- Leverage data to determine best approach to root cause analysis and risk remediation



# Additional examples of existing KPIs that can indicate risk trends and inform allocation of audit resources

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- Patient Access
- Readmission rates
- Hospital-acquired conditions
- Cost per Discharge
- Patient registration by month
- Supply Chain
- Payroll
- Average length of stay
- Drug diversion
- 340B drug program pricing



# RECAP



# In Summary – Lessons Learned

In order to build and strengthen the capabilities required to anticipate, understand, plan for and respond to the emerging risks and opportunities that exist throughout your enterprise and across the continuum of care you may wish to consider the following:

## Cross Department Collaboration, Cooperation and Coordination

- ✓ **Talk** – Early and Often
- ✓ **Share** – Ideas and Information
- ✓ **Trust** – Evidence and Instincts
- ✓ **Organize** – Who/What/Where/When/How
- ✓ **Standardize** – Taxonomy and Tone
- ✓ **Formalize** – Methodologies and Expectations
- ✓ **Culture** – Culture – Culture

## Utilization of Technology / Tools

- ✓ Determine **what tool you need and how you are going to use it**
- ✓ **Leverage the functionality** that exists – get what you pay for
- ✓ **Commit to the process – set it up right and invest the time to educate the team**
- ✓ **Establish, encourage and enforce expectations of use – eliminate unnecessary workarounds and inconsistent use**

## Leveraging Data Analytics

- ✓ Don't over complicate it
- ✓ Utilize the data analytics that already exist
- ✓ Listen and learn from key stakeholders
- ✓ Ask about it during Risk Assessment

# QUESTIONS AND ANSWERS



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