

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

HEALTH CARE WEBCAST SERIES

SPRING 2021



Today's presenters



Ryan Haggerty

Principal

RSM's national leader for the Health Care Internal Audit, Regulatory Compliance and Enterprise Risk practices



Rick Kes

Partner, Health Care Senior Analyst

A national leader in audit and consulting services to health care organizations

The graphic features a green background with white icons and text. At the top left is the RSM logo. To its right is the text 'HEALTH CARE WEBCAST SERIES' followed by a Wi-Fi symbol. Below this, there is a diagram showing a checklist icon, a hospital building icon, and a large plus sign icon. The plus sign is connected by dashed lines to three numbered circles (1, 2, and 3). Below the diagram, the text reads '3 ways to manage uncertainty in health care today'. At the bottom, it says 'Thurs., June 10 | 1:00 P.M. - 2:30 P.M. EST'.

RSM | HEALTH CARE WEBCAST SERIES

3 ways to manage uncertainty in health care today

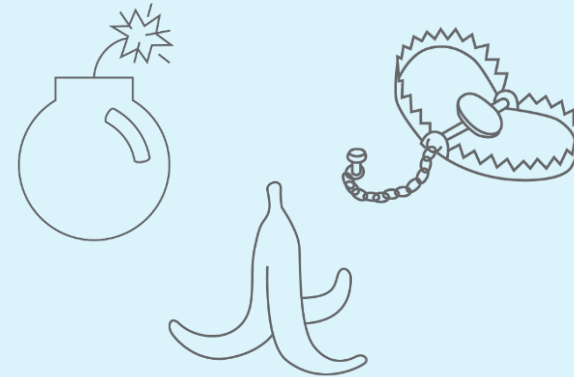
Thurs., June 10 | 1:00 P.M. - 2:30 P.M. EST

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

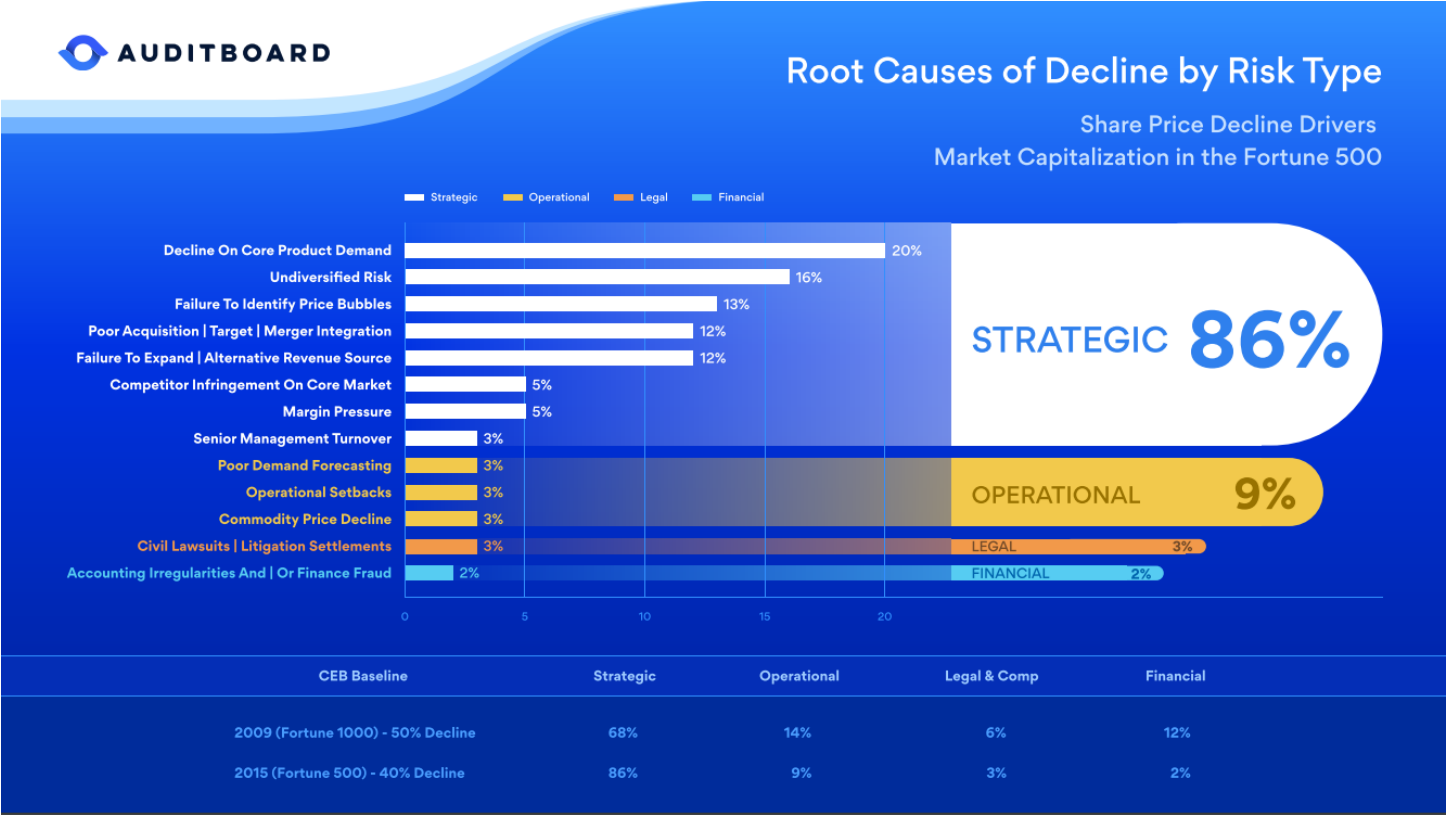


Stakes are high – Boundaries of risk are expanding – Industry specific complexity demands subject matter expertise – Resources are scarce

Root Causes of Decline by Risk Type

Looking for risk in all the wrong places

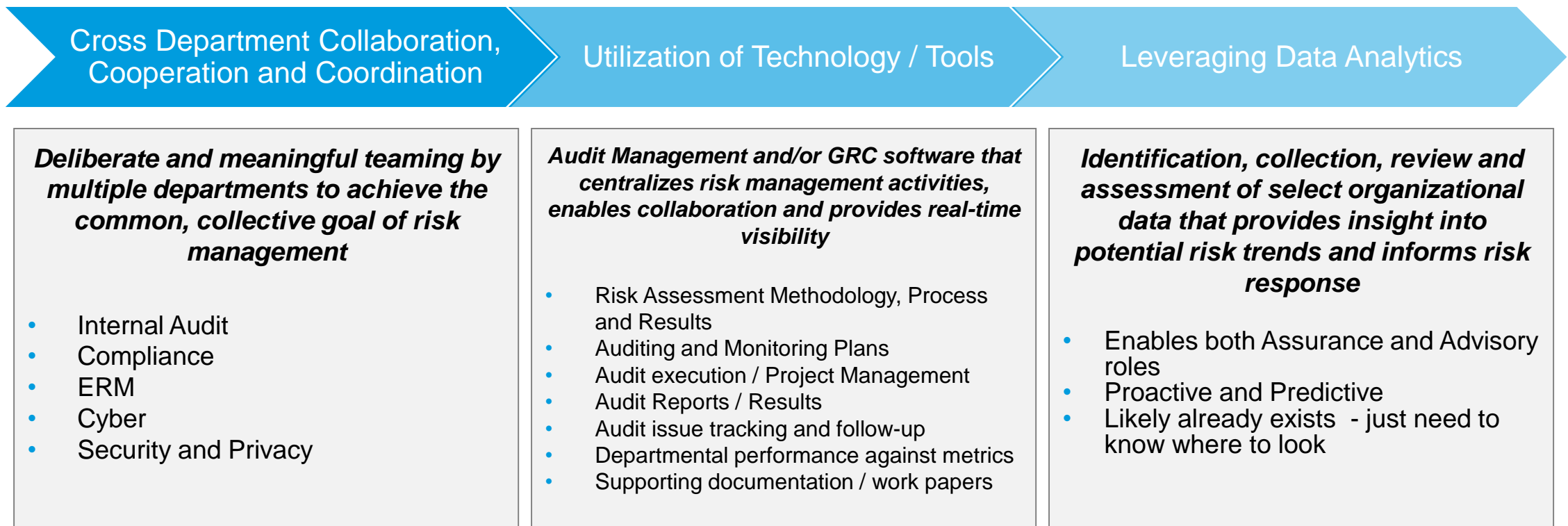
Organizations have traditionally focused most of its risk management resources on legal, compliance and financial reporting functions. That’s starting to change as organizations realize that most big hits to shareholder value come from strategic and operating risks.



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:



Managing Risk: 3 Essential Components

Cross Department Collaboration,
Cooperation and Coordination

Utilization of Technology / Tools

Leveraging Data Analytics

Benefits of this approach:

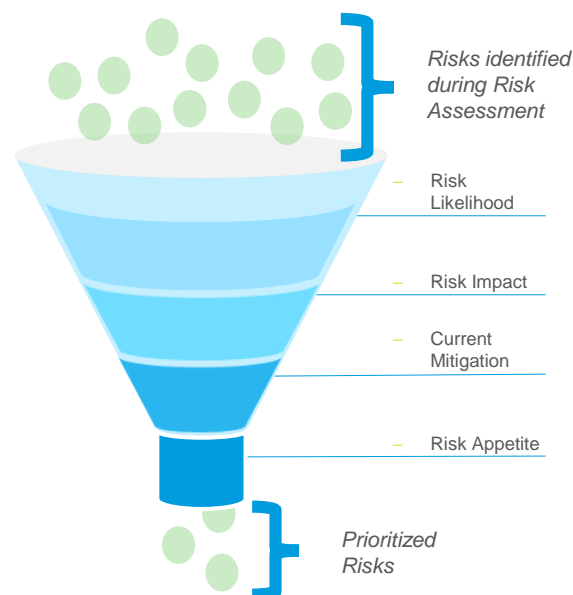
- Complete inventory / coverage of risk – nothing falls through the cracks
- Holistic view of complex risks that often include elements from multiple departments
- Efficient, effective use of time and resources – no duplication of efforts / no wasting stakeholder's time
- Consistent and clear definitions 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



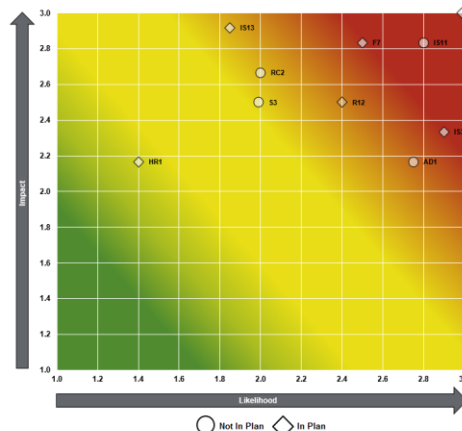
Risk Assessment Approach and Results



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

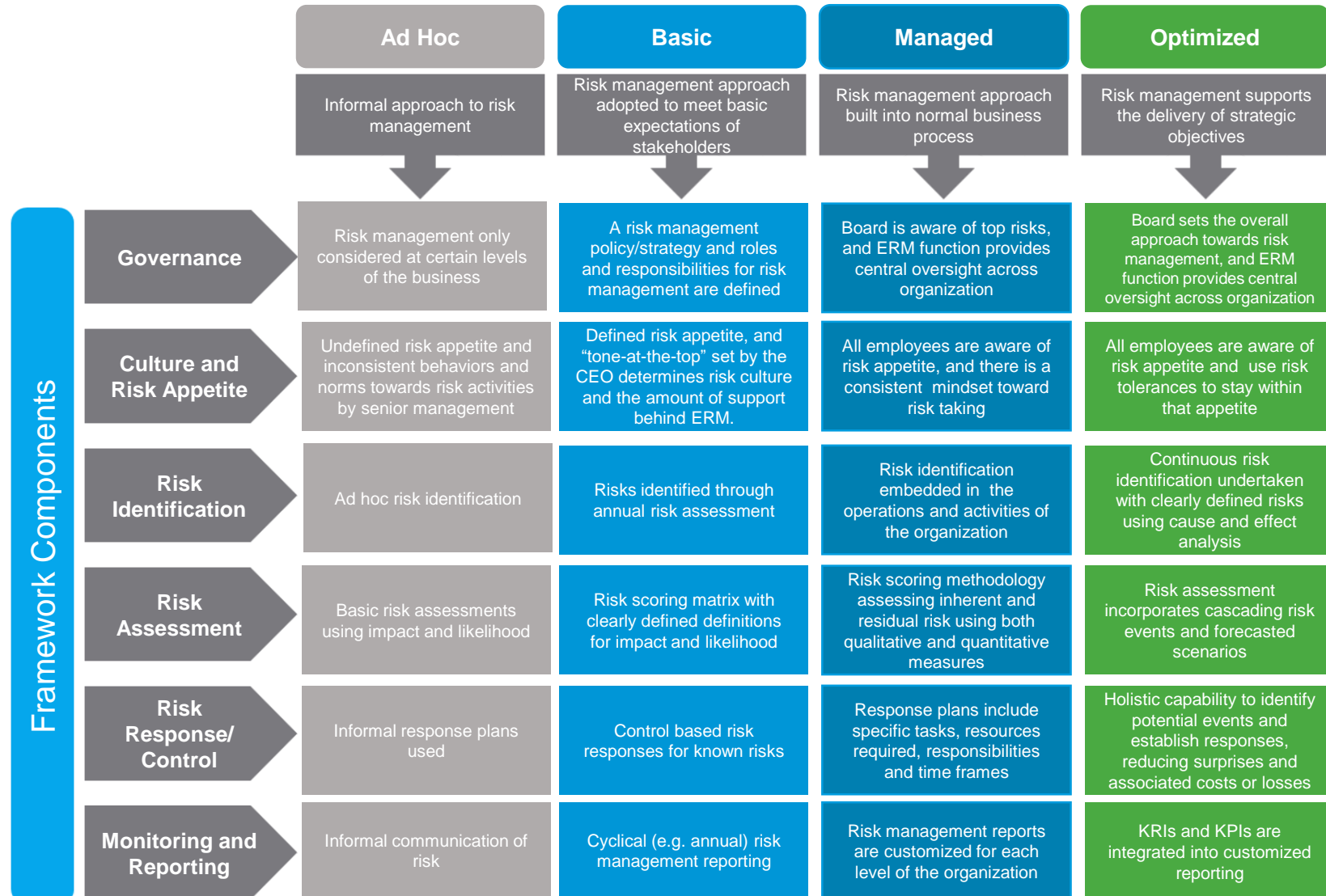
Entity/Function	Risk ID	Risk Description	Impact	Likelihood	In Plan?
Human Resources	HR1	Recruitment (clinical and non-clinical)	2.17	1.40	Yes
Finance	F7	Payroll (Exempt and Non-Exempt employees)	2.83	2.50	Yes
Administration	AD1	Nurse Staffing	2.17	2.75	No
Human Resources	HR1	Recruitment (clinical and non-clinical)	2.17	1.40	Yes
IS/Finance/Supply Chain	IS1	Business Continuity/Disaster Recovery	3.00	2.89	Yes
IS	IS3	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	R12	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



Risk Assessment Filters		Included Criteria			Copy Heat Map	
Department / Function		All				
Department Manager		All				
Other Filters (if applicable)		Top 10 Overall Risks				
Department / Function	Risk ID	Auditable Entity	Impact	Likelihood	In Plan?	
Finance	F7	Payroll (Exempt and Non-Exempt employees)	2.63	2.50	Yes	
Administration	AD1	Human Staffing	2.17	2.75	No	
Human Resources	HR1	Recruitment (clinical and non-clinical)	2.17	2.40	Yes	
IS/Finance/Supply Chain	IS1	Business Continuity/Disaster Recovery	3.00	2.69	Yes	
IS	IS3	Security/Cybersecurity	2.33	2.90	Yes	
IS	IS11	Cloud Transition	2.83	2.30	No	
IS	IS13	System Credentials	2.67	1.85	Yes	
Regulatory Affairs & Risk Management	R12	Physician Contracting	2.67	2.40	Yes	
Clinical	R21	Behavioral Health	2.50	2.00	No	
Strategy and Performance	S3	Delta 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	No	•	•	•
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	No	•	•	•
10	Business Continuity/Disaster Recovery	6.00	No	•	•	•
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	4.67	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	•	•	•

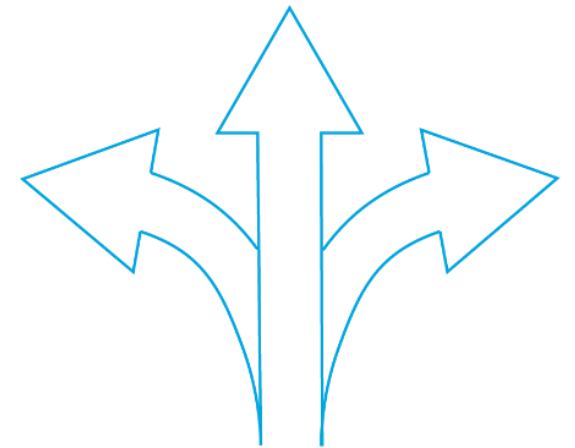
ERM Capability Model



Considerations for “getting out of first gear”:

The importance of culture

- 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

- 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

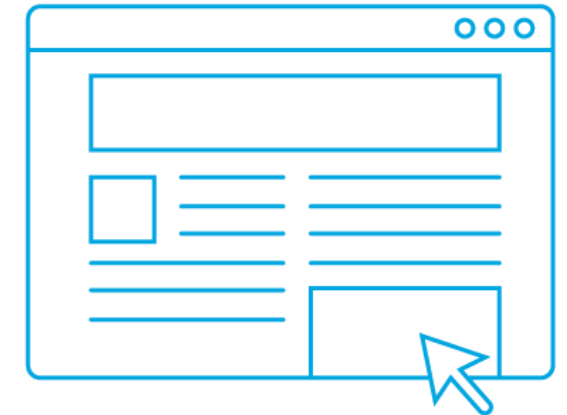
Cross Department Collaboration,
Cooperation and Coordination

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:

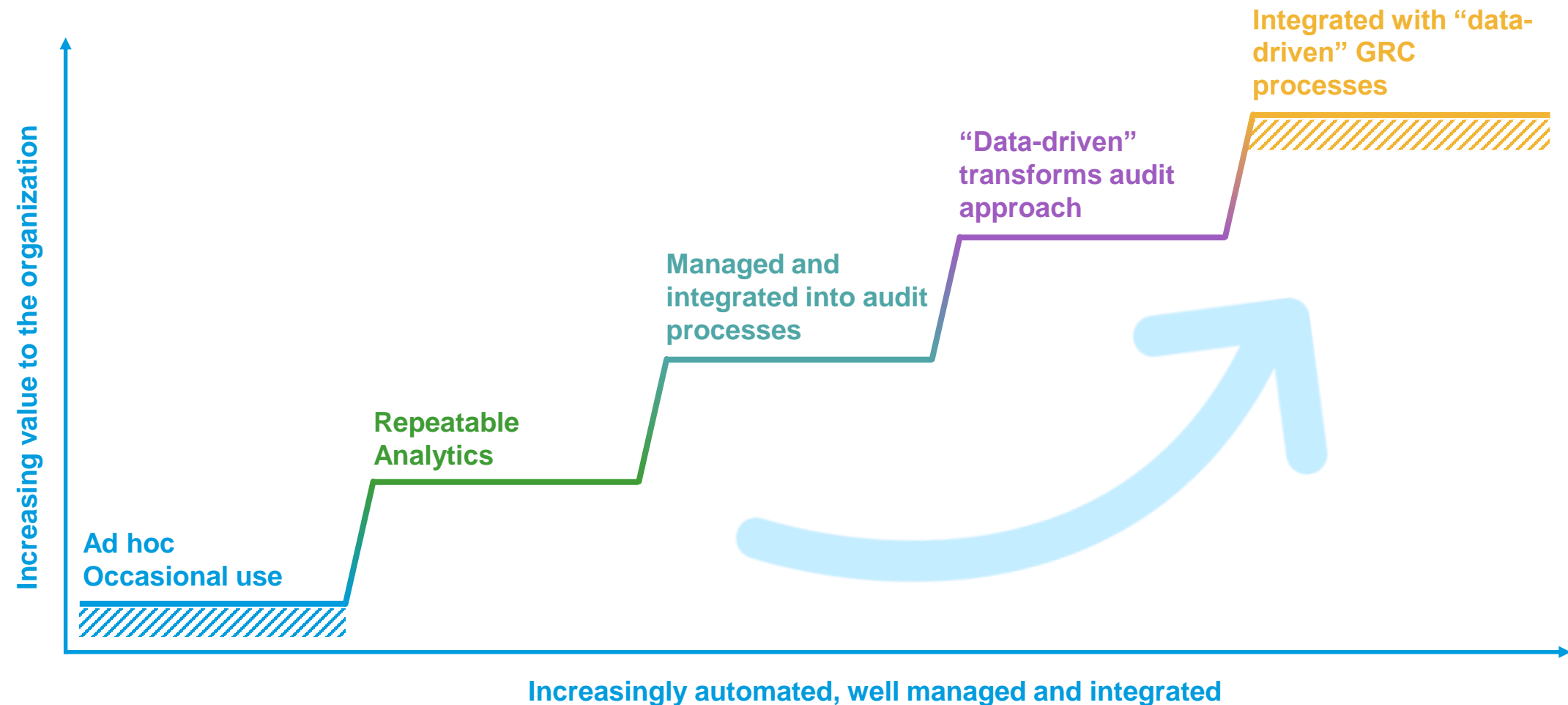
- Proactive vs. Reactive
- Predictive / Anticipatory
- Cost effective (It likely already exists and is typically being reviewed already by the department.)
- Demonstrates Value Add / Promotes communication and stakeholder relationship building
- Can help inform decisions regarding allocation of audit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

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">• Long wait time• Poor Communication
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">• Full inpatient units• Slow consult responses• Nursing shortages
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">• Unexpected arrivals• Full inpatient units• Slow consult responses• Nursing shortages

How to measure ED throughput:

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

Best practice treatment goals:

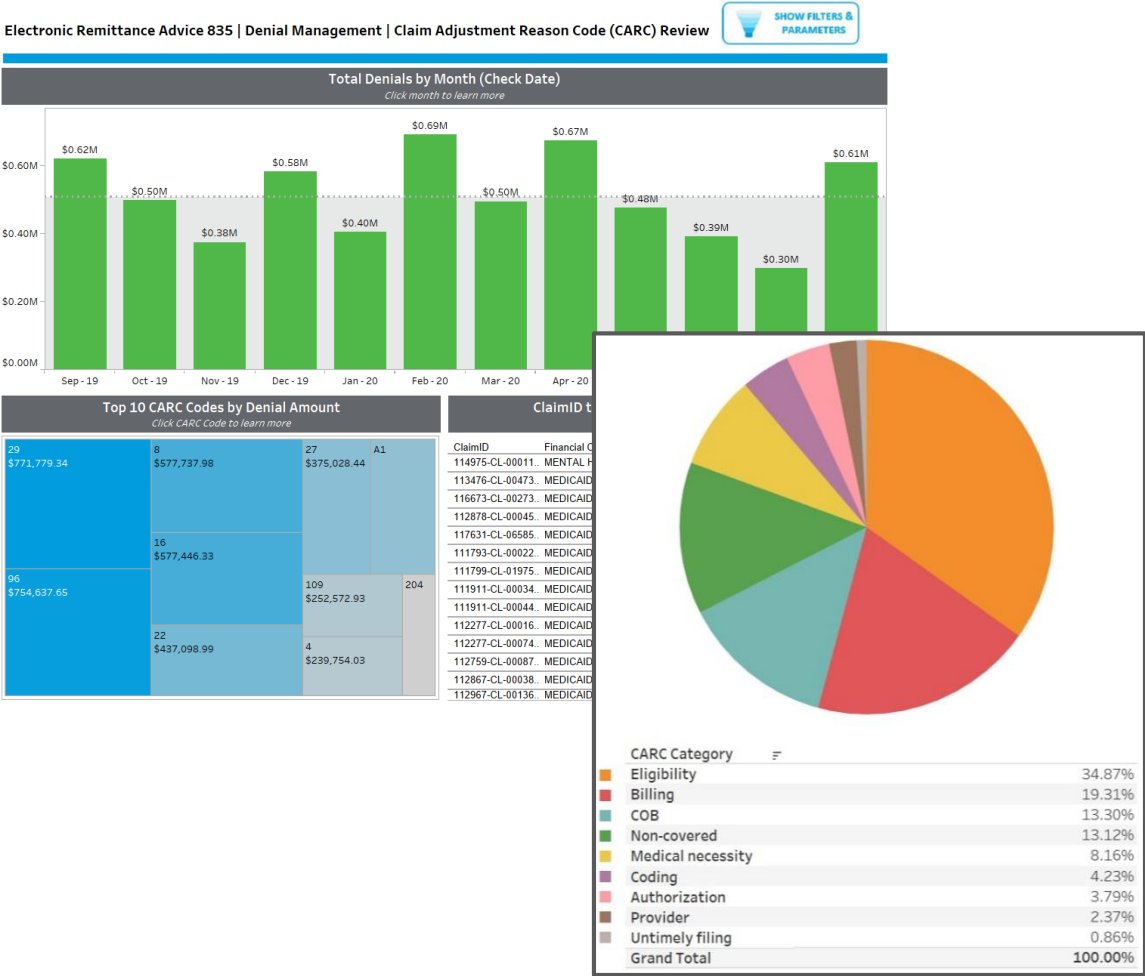
- Door to EKG < 10 minutes for chest pain
- Door to balloon < 90 minutes for STEMI
- Door to antibiotic < 60 minutes for sepsis
- Door to needle < 45 minutes for ischemic stroke
- Door to mask < 120 minutes for COPD

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

- 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



This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

RSM, the RSM logo and *the power of being understood* are registered trademarks of RSM International Association.

© 2021 RSM US LLP. All Rights Reserved.

