

Risk Assessment Workshop: Are You Assessing All Your Risks?

# How to Design an All-Encompassing Risk Assessment Framework



Presented by

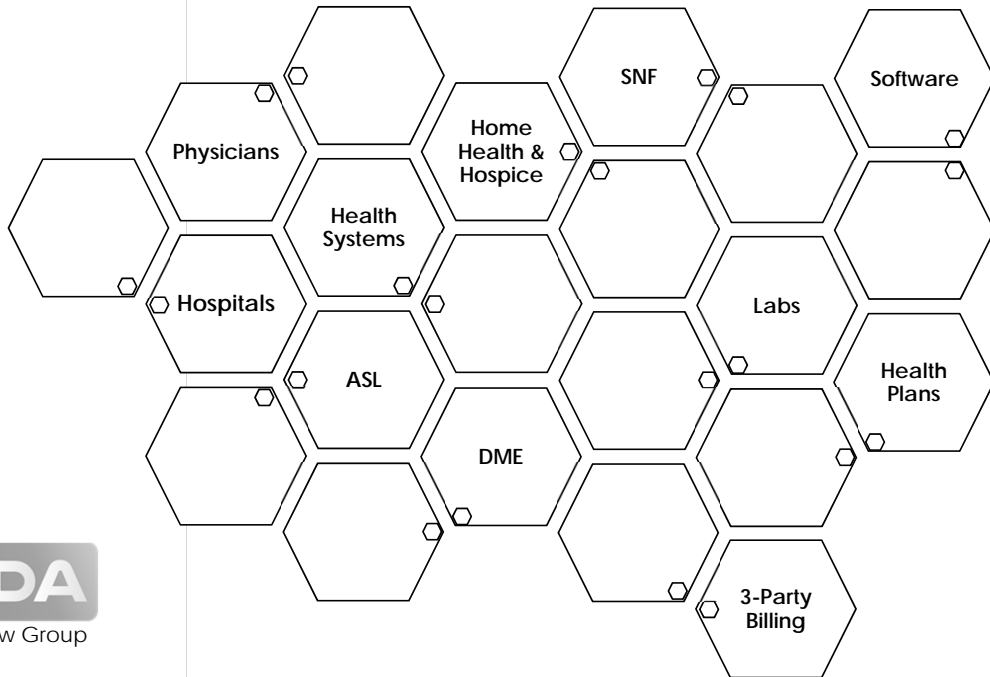
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# Our Clients



## About Blue Cross of Idaho

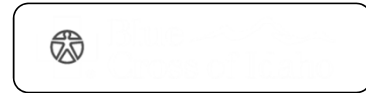
- Idaho's oldest health insurer – 1945
- Enrolls approximately ¼ of state population
- Membership in Medicare Advantage, Medicare/Medicaid, Federal Employees, Qualified Health Plans, Individual, Commercial Group





# What We're Going to Cover

1. Qualities of Good Risk Assessments
2. Essential Steps
3. Design Your Framework
4. Scope & Areas of Risk
5. Methodology Ideas



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## Qualities of a Good Risk Assessment

## Definition: Risk Assessment

- Collecting, assessing, and evaluating the broad spectrum of risks and relevant information;
- Conducted by multiple individuals with different functions throughout the organization;
- To effectively understand the aggregate relationships and implications of the information identified; and
- Gain a perspective adequate to assess relevant risks, understand inter-relationships of risk indicators, and determine risk mitigation and control activities.

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## Risk Assessment Description

The compliance risk assessment will help the organization understand the full range of its risk exposure, including the likelihood that a risk event may occur, the reasons it may occur, and the potential severity of its impact. An effectively designed compliance risk assessment also helps organizations prioritize risks, map these risks to the applicable risk owners, and effectively allocate resources to risk mitigation.

- Deloitte: Compliance Risk Assessments

<https://www2.deloitte.com/us/en/pages/risk/articles/compliance-risk-assessments-the-third-ingredient-in-a-world-class-ethics-and-compliance-program.html>

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## The Best Compliance Risk Assessments



- Identify & address risks before anything occurs
- Gather input from a cross-functional team
- Build on what has already been done & leverage data
- Make the assessment actionable
- Solicit external input when appropriate
- Regularly & periodically repeated



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## The Best Compliance Risk Assessments



- Have purpose and uses agreed upon by leadership
- Catalyst for Compliance Work Plan
- Establish clear risk ownership of specific risks
- Mitigation of risks is a part of risk owners' performance evaluation



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## The Best Compliance Risk Assessments

- Supported by internal data, control evaluation, and identified issues as well as external priorities and findings
- Account for organizational risk tolerance
- Risk scoring methodology supported by operational areas



## Final Risk Assessment Should:

- Summarize the risk profile of the organization;
- Identify gaps and opportunities for improvement;
- Provides solid reasoning on how to set ethics strategy & create metrics;
- Shape the direction of the compliance program and related operations;
- Provide accurate documentation of how the assessment was conducted;
- Used to create a risk mitigation work plan;
- Ensures CP resources are properly utilized to eliminate your highest risks!!



# 2

## Risk Assessment Essential Steps

### Risk Assessment Essential Steps


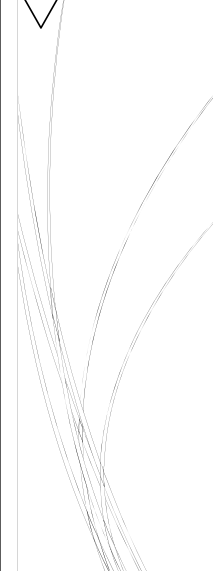
1. Identify Risk Assessment Director
2. Create Risk Assessment Workgroup
3. Develop Risk Assessment Framework
4. Develop Risk Assessment Methodology
5. Design Data Repository, Tool, or Format

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## Risk Assessment Essential Steps

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6. Identify & involve individuals with key knowledge
  7. Utilize existing data, audits, surveys, validations, etc.
  8. Design an implementation plan & timeline
  9. Conduct the risk assessment & carryout the chosen assessment methodologies
  10. Prioritize risks & complete final report

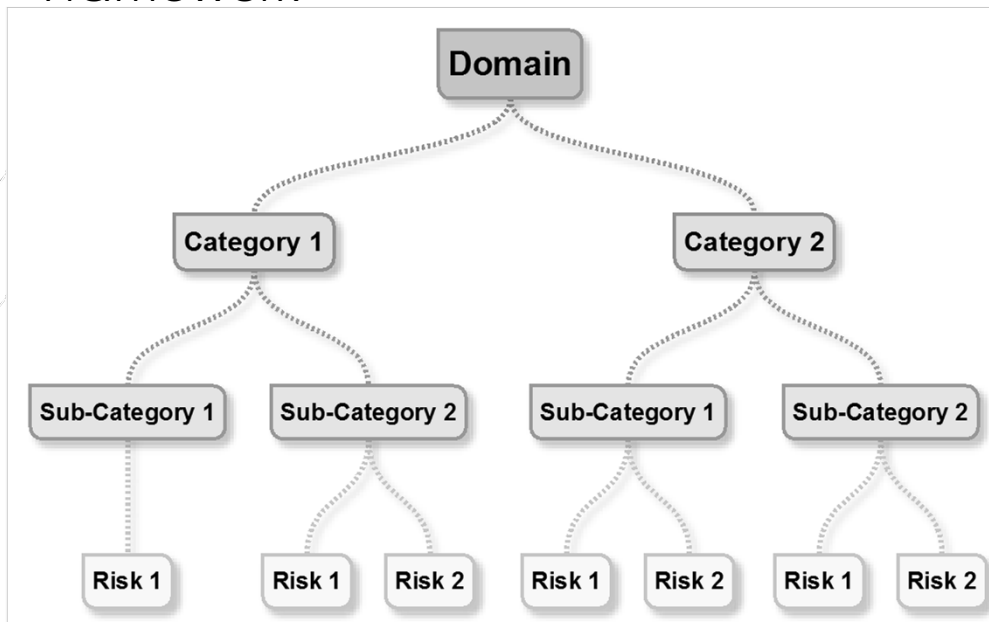


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## Design Your Framework



## Framework



When likened to house construction your framework. . .

- Is your house blueprint
- Represents the big picture & complete view of your compliance risk environment
- Integrates all risks/risk categories like the materials/components chosen to build your house
- Uses taxonomy that works with pertinent risks
- Embodies the RA scope & breadth
- Contains calculated & workable divisions

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## Steps to Create a Framework

**1**

Determine the best way to organize & visualize the risks.

- A structure with associated taxonomy that makes sense for your organization.
- Common frameworks include multi-tiered divisions that allow for various levels of scrutiny.



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## Steps to Create a Framework

2

Determine how to fit all applicable risks into the desired visual framework.

- Is it comprehensive, dynamic, and customizable to accommodate all applicable categories of risk?
- Does it bring together relevant risks/risk categories into organized & logical divisions?
- What type of tool or document will be used as the repository for the risk assessment data?



## Steps to Create a Framework

3

Establish the scope, level of detail, & capability needed for drill-down

- Does it facilitate high-level review while simultaneously enables drill down to individual risks?
- Does it have clear boundaries
- Does the framework need to accommodate a way to score or prioritize risks?



## Steps to Create a Framework

# 4

Ascertain where risks fit within each level of the RA framework.

- Consider categorizing risks into similar groups such as, organizational structure, reporting structure, department/clinical service lines, & oversight responsibilities.



## Consider This When Designing Your Framework

### Organizational Commitments

- What are we trying to protect as an organization? (risk priorities)
- Are there regulations, laws, or company policies on what to protect and how?
- What commitments do we make to our members/customers?
- At what level do we protect against each risk? (risk tolerance)
- Who is involved in managing our risk priorities and ensure we are mindful of risk tolerance?

The SKYDA logo, consisting of the word "SKYDA" in a bold, sans-serif font.



## Consider This When Designing Your Framework

- What does the organization need to address?
- How will the risk assessment be used within the organization?
- What are the external expectations of the risk assessment (regulators, board, auditors)?
- Which structure lends itself to measurability? How often (monthly, quarterly, annually)?
- Bring leadership together at the highest level to decide upon a structure

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## Consider This When Designing Your Framework

### Appropriate Risk Structure

- Organizational function and structure
- Regulatory or statutory provisions
- Risk tolerance
- Risk type (reputational, financial, operational, environmental, compliance, strategic, workforce, tech, safety)
- Customer type
- Risk applicability/scope



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## Scope & Risk Identification/Inventory



### Compliance Risk

The threat posed to an organization's financial, organizational, or reputational status or position resulting from violations of laws, regulations, codes of conduct, or organizational policies or standards





## How to determine your risks:

- Review your organizational chart/divisions/dept.
- Brainstorm, group brainstorm, affinity diagrams
- What have similar organizations identified as risks?
- What federal & state laws and regulations apply?
- Consider gov. agencies & other authorities
- CMS/Medicare CoPs, CfCs, & MACs



## How to determine your risks:

- Review OIG, DOJ, OCR cases & settlements
- Review recent CIA
- Constantly add new risks to your framework
- Get external assistance



## How to determine your risks:

- Common external audit findings
- Internal audit discoveries
- Oversight of delegated third parties
- Gap analysis with new regulations
- Investigation of member complaints
- Root cause data from issues
- Policy and procedure gaps



## Key health plan risks

- Delegation oversight of plan-required functions
- Member communication messaging
- Customer service training adequacy
- Enrollment processing timeliness and accuracy
- Adherence to prior authorization timeliness and decision-making criteria





## Key health plan risks

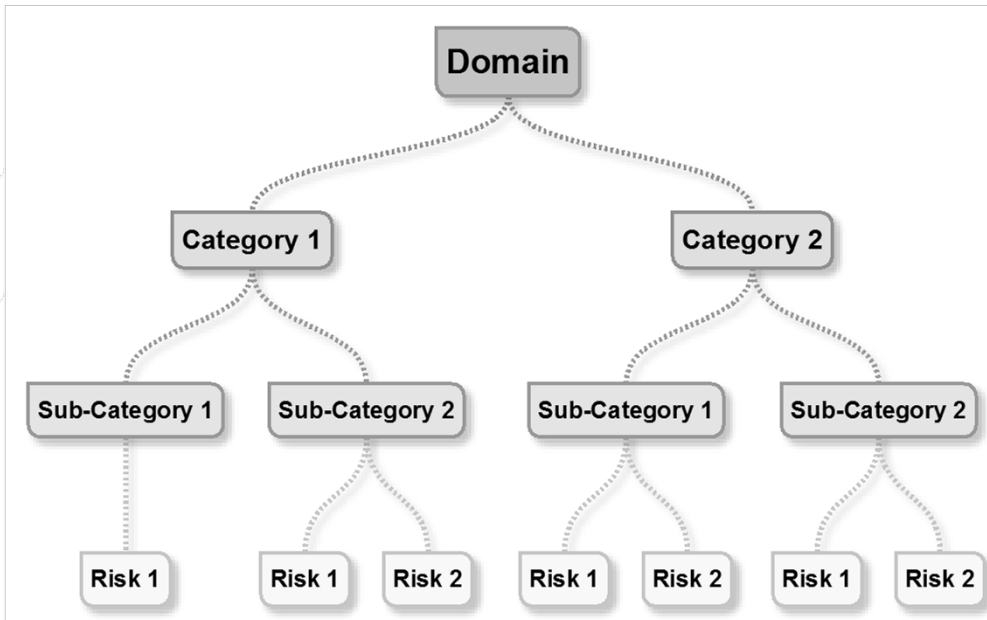
- . Provider directory accuracy
- . Sales broker beneficiary interactions
- . Risk adjustment accuracy
- . Appeal and grievance rates and resolution
- . Prescription drug benefit decisions and formulary adherence
- . Government program reporting and audit activity



3 Minutes:  
How many  
risk domains  
can you identify?



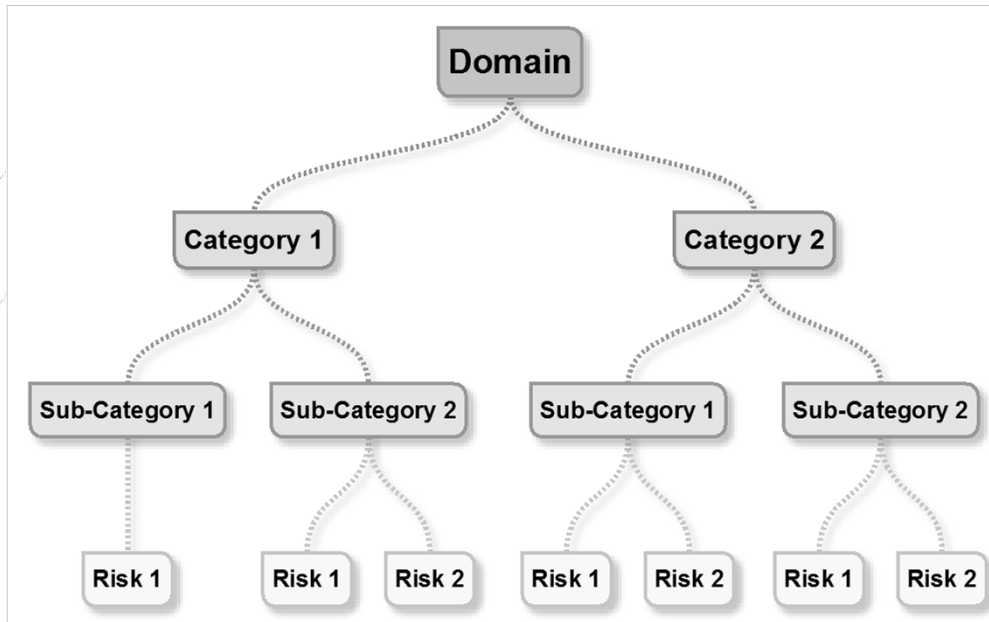
## Framework



3 Minutes:  
How many  
risk categories  
can you identify?



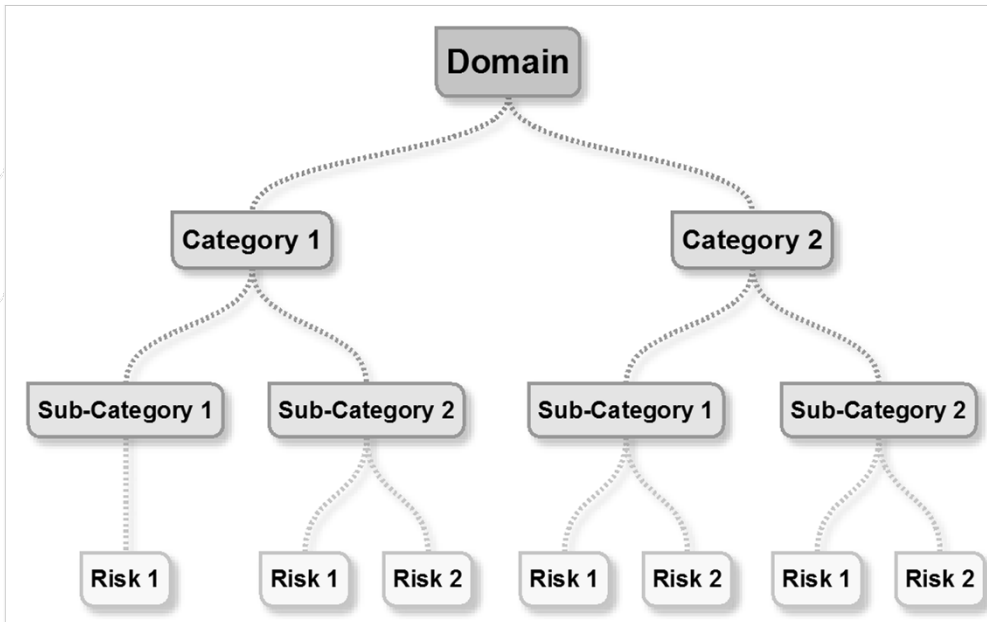
## Framework



3 Minutes:  
How many  
individual risks  
can you identify?



## Framework



5 Minutes:  
Share your  
domains/categories/risks  
with your table/group





## Scope & Framework Resources & Ideas



- Big Auditing Firms has some examples – such as Deloitte, Ernest & Young, etc.
- Online examples used by various organizations
- HCCA Compliance Weekly News & *Compliance Today*
- *Compliance Insight* – Newsletter MySkyda.com



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## Methodology Ideas



## Develop a Methodology

Methodology is the analysis of the principles, policies, procedures . . . of how an organization controls or mitigates risk and the methodology specifies the techniques that are used to conduct a risk assessment.



## Risk Assessment Methodology

- Establish key performance metrics, thresholds, and descriptions
- Identify functions to measure accompanied by regulatory/legal citations
- Perform operational control survey and identify control gaps with business area
- Evaluate probability and impact of non-compliance using internal and external resources
- Calculate risk score and prioritization



# Risk Assessment Methodology

Business Area	# of Business Functions	Typical MET Threshold	Typical Score	Risk Ranking	# MET	# Not MET	Not Measured	Trend over last Quarter	# open Assessments	Planned Monitoring
Claims	19	3 to 5	3 to 5	M	8	7	4	↑	3	10
Pre Service: HCO, & Pharmacy	16	2 to 3	5	H	1	10	6	↑	3	7
Customer Service	7	3	5	M	2	5	0	No Change	0	5
Grievance & Appeals	23	3	8	H	0	23	0	No Change	2	12
XXXX	4	5	*	M	1	0	3	N/A	3	2
XXXX	13	3	13	H	0	6	7	N/A	3	4
XXXX	44	3	8 to 13	H	0	38	6	↓	0	13
XXXX	57	2 to 3	2 to 3	M	45	7	5	↓	2	11
XXXX	9	3	8	H	1	7	1	↓	1	4
XXXX	6	2 to 3	3	M	2	1	3	↑	0	3
XXXX	7	3	2	M	6	1	0	↑	0	0
XXXX	14	3 to 5	5	M	1	4	9	N/A	2	6



## Method?

### Quantitative Method

- Numeric value: Loss Value x Probability = Risk

### Qualitative Method

- Most used method & easy to prioritize risks



## Method?

### Qualitative Method Steps:

1. **Determine likelihood of occurrence & severity of each risk**
  - **Likelihood of occurrence** (remote, possible, or probable): based on findings from document review, interviews, surveys, regulation changes, education, etc.
  - **Severity** (moderate, serious, or severe): Consider the impact. Would it threaten licensure or cause loss of federal funds?
2. **Construct a risk profile**
  - Create a graph and chart/rank each risk (i.e. low, medium, high, or critical). Those risks identified as high and critical will demand the most immediate attention.



## Consider Data Collection Strategies As Part of Your Method

- Source leaders & individuals with key knowledge
- Utilize existing data:
  - audits, survey findings, monitoring, internal compliance/violation trends, past risks & risk assessments, metrics/measures, education results, etc.
- Include info released/offered by agencies/departments:
  - OIG, DOJ, OCR, FDA, OSHA, MACs, etc.
- Implementation plan & timeline
- Divide into manageable segments:
  - similar risk areas or method of information gathering
- Start with small segments:
  - this allows method testing and modifications as the risk assessment progresses





## Risk Profile/Ranking

Impact Severity	<b>Severe</b>	Medium	High	Critical
	<b>Serious</b>	Low	Medium	High
	<b>Moderate</b>	Low	Low	Medium
		<b>Remote</b>	<b>Possible</b>	<b>Probable</b>
Likelihood of Occurrence				



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## Scoring & Prioritizing Risks

- Compare risks across domains and categories
- Prioritize risks by individual risk or by category
- Consider elements of an effective compliance program as scoring categories/drivers
- Consider level of inherent risk
- Consider Impact: Probability, Severity, Financial, Operational, Reputational
- Step back; does the ranking/score make sense?
- What risks can/will you mitigate?



# Questions?

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