KPMG

Dynamic Risk Assessment (DRA)

Identifying, connecting, and visualizing risk in four dimensions

2018

Achieving affordable healthcare coverage and quality care in a context of policy and regulatory change, demographic shifts, changing consumer preferences, and technological advances is profoundly challenging. But, as has always been the case, disruption and change create opportunities for those with the vision, will, and skill to move quickly.

As healthcare payers, providers, and life sciences organizations attempt to survive and thrive, they are looking for growth and efficiency opportunities—and this requires innovation. Successful organizations need to outperform their competitors but ensure that patients do not lose out.

Leadership therefore needs to understand and better predict emerging events, trends, and risk—both in the internal operational environment and in the external competitive and regulatory environment, and—based on this information—ensure that strategic investments are concentrated on the opportunities and threats that best align with the mission and ambitions of their organization.

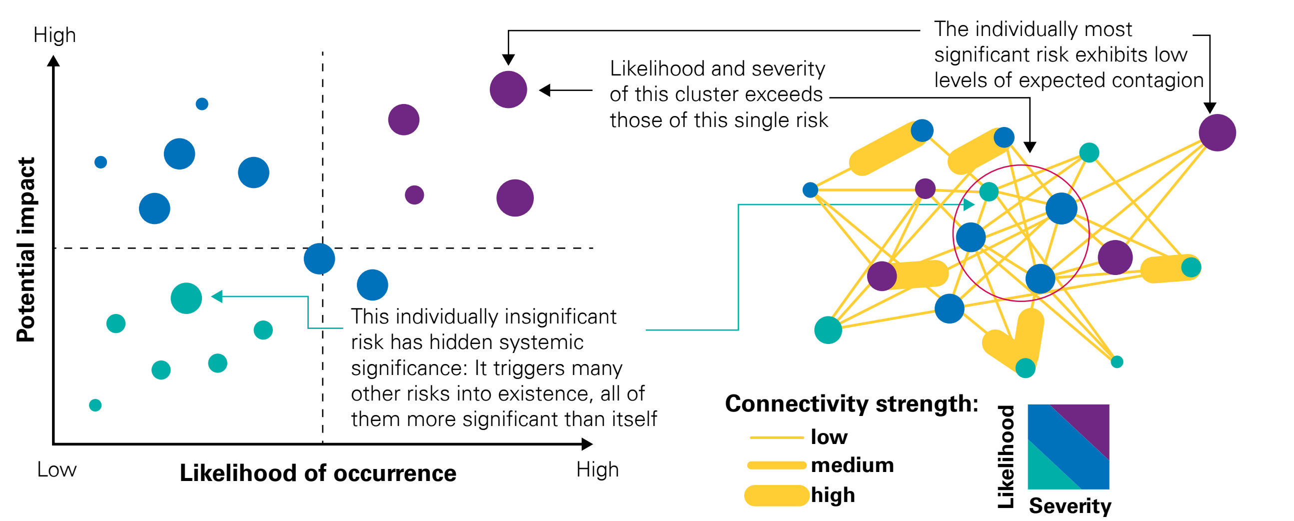
Traditional risk management approaches have done a good job of generating defensive responses to risk threats and developing governance disciplines to safeguard stakeholders' interests—but who is responsible for the upside of risk? How can healthcare and life sciences organizations understand the real relative significance of all of the new and emerging trends and risks out there? If an organization only has a limited amount of resources to invest in risk mitigation, where best can those resources be directed to deliver strategic value?

KPMG's innovative Dynamic Risk Assessment (DRA) approach supports organizations to address these questions. DRA focuses on both upside and downside of risk—both sides of the coin—helping clients to analyze observable trends to find the opportunities in risk that allow them to gain a competitive edge—and to understand how those risks combine and interrelate.

DRA vs. Traditional Risk Assessment

Traditional, two-dimensional risk map

Interconnected view

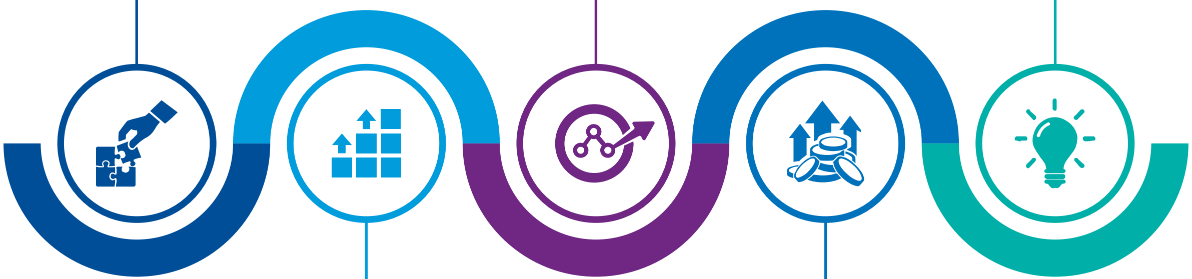


Certain risks connect more to each other than all other risks in the network, forming clusters.

DRA applies graph theory, the science of expert elicitation, actuarial modeling, sophisticated mathematics and financial mathematical algorithms, advanced data and analytics (D&A), and accounting science to assessments from experienced risk and nonrisk frontline and back-office individuals within the business. This is done in a KPMG proprietary (and patent pending) methodology to identify, connect, and visualize risk in four dimensions.

The DRA methodology combines qualitative and quantitative data to help identify:

- Your greatest systemic risk exposures, combinations, and risk clusters to inform a risk mitigation plan
- How risks will impact each other in the network and how they behave in a dynamic manner over time
- A framework to revisit your risk tolerance and overall risk management strategy



- The impact of "mega trends" and their effects on your business
- Insights that may help you improve mitigation of systemically critical risks, to aid you in developing an investment strategy to counter those weaknesses

The DRA process

Typically, the DRA process takes six to eight weeks, with the key steps outlined below:

1 Landscape articulation

KPMG works with key stakeholders to identify the key risks facing the organization.

2 DRA survey

Key stakeholders complete an online survey, for the collection of data on the characteristics of the risks facing the organization.

The survey requires approximately 45 minutes to complete.

3 KPMG's analysis

KPMG applies advanced network theory to the survey responses to identify the organization's interconnected risks and opportunity network, and its dynamics.

4 Follow up workshop

KPMG discusses the findings with the key stakeholders.

5 KPMG deliver dynamic risk assessment report

The DRA report is discussed with the client to form part of strategic planning and ongoing monitoring.

Contact us

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