



Healthcare and ERM

Healthcare Organizations should evolve their Enterprise Risk Management (ERM) programs for the current environment



What we are seeing

We are living through a remarkable transformation period in the healthcare industry. The demands of patients related to creative care access options, price and quality transparency, and a holistic consumer-driven experience are changing the patient care landscape forever. Digital evolution is not only a strategic imperative but a must for relevant survival. Not only has this macro trend been evident for the past number of years, COVID-19 has accelerated digital evolution. Additionally to support healthcare in the current environment, the Biden administration has signaled that healthcare for the nation's most vulnerable and disenfranchised will be a top priority, with the expansion of care coverage through the ACA, Medicare, Medicaid and a public option.

Why the urgency

As we look to the future, healthcare organizations need to prioritize how they are managing enterprise risks. Emerging risks will shape the winners and losers over the next decade. Healthcare organizations need to actively and dynamically manage risk priorities to mitigate downside risks and exploit upside risks. These risks represent opportunities and threats that can maximize opportunities or wreck viability as it relates to the central mission of the organization.

Top emerging healthcare risks

- 1 Evolving healthcare policy and regulatory agenda impact (ACA, pricing trans, public opt)
- 2 Interoperability and Cures Act requirements
- 3 Sustainability (cashflow, workforce burnout, talent management, inclusion/diversity)
- 4 Cyber security risks due to workers being largely remote and offsite
- 5 Telehealth services and expansion challenges
- 6 Emergency management/business continuity review and needs (supply chain/climate change)
- 7 Medicare and Medicare coverage expansion requirement
- 8 Targeting inorganic growth – partnerships, joint ventures, and acquisitions
- 9 COVID-19 protocols, testing, treatment and vaccines
- 10 Opioids, drug pricing, and drug management

Our perspective

At KPMG, we recommend that healthcare organizations establish a systematic ERM program. This program should be championed by the highest levels of management and the Board of Directors. It should be directly aligned to strategic decision making that will be deeply rooted in ensuring the organization is winning on its strategy and accentuating its mission.

Healthcare organizations should focus on the major risk categories and determine top priorities that represent the future success of their organizations.

Operational	Financial	People/Culture	External
<ul style="list-style-type: none"> Supply Chain Vendor Risk Management Quality Reporting 	<ul style="list-style-type: none"> Revenue Cycle Optimization Drug Pricing and 340B Enrollment Claims Adjudication 	<ul style="list-style-type: none"> Physician Engagement Succession Planning Recruitment Resource Management 	<ul style="list-style-type: none"> Competition Consumerism Patient Satisfaction Political Environment
Strategic	IT/Technology	Quality and Safety	Regulatory & Compliance
<ul style="list-style-type: none"> Growth /Capital Projects Changing Revenue 	<ul style="list-style-type: none"> Cyber Security Telehealth/Telemedicine EMR/EHR Optimization 	<ul style="list-style-type: none"> Patient Safety Quality Reporting COVID-19 	<ul style="list-style-type: none"> Information Security (HIPAA, HITECH) CARES Act

Crossing all of these risk categories is the reputational risk to the organization

Our approach

ERM framework — creating process

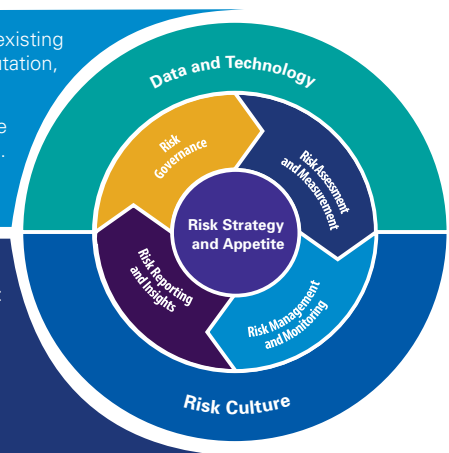
ERM is a system of processes for the identification, analysis, evaluation and economic control of existing and potential risk (both threats and opportunities) intended to enhance quality/ safety, protect reputation, and increase the likelihood of achieving corporate / performance objectives.

Our ERM framework looks to whether strategy, processes, people, technology and knowledge are aligned and integrated in order to reliably evaluate and manage the risks that an organization faces.

A governance framework is key to establishing an effective ERM program.

The ERM framework consists of seven (7) elements and provides structure to programmatically address risk across the organization. Implementation and adherence to a “right-sized” framework:

- Improves risk strategy and informs risk decisions
- Defines roles and responsibilities for risk oversight is sustainable and actionable
- Enhances operational performance by monitoring and reducing variability
- Breaks down silos










In practice, an ERM program must deliver on two things:

- Process - Our framework is built on the foundational concepts of “creating process” (e.g., developing a risk management framework that is commensurate with an entity’s size, nature of business, risk appetite and tolerance).
- Content - “Content” is the portfolio of risks that are facing the organization and how an organization manages these risks. Leveraging the process developed (strategy, governance, etc.), the key question to answer is: What process have we designed, that fits within the culture of our organization, that will keep our risks current and relevant?

A deeper look into the ERM framework

ERM framework — creating process

KPMG’s global ERM methodology and framework includes leading practices and practical implementation steps. Our framework assists in considering all program areas.

 Risk Strategy and Appetite	 Risk Governance	 Risk Culture	 Risk Assessment and Measurement	 Risk Management and Monitoring	 Risk Reporting and Insights	 Data and Technology
Linkage to Corporate Strategy	Board Oversight and Committee	Knowledge and Understanding	Risk Definition and Taxonomy	Risk Mitigation, Response and Action Plans	Risk Reporting	Data Quality and Governance
Risk Strategy	Company Risk Operating Structure	Belief and Commitment	Risk Identification	Testing, Validation, Management Assurance	Business/Operational Requirements	Risk Analytics
Risk Appetite and Tolerance	Risk Guidance	Competencies and Context	Assessment and Prioritization	Monitoring	Board and Senior Management Requirements	Technology Enablement
	Roles and Responsibilities	Action and Determination	Quantitative Methods and Modeling	Risk in Projects/Initiatives	External Requirements	
	Decision Support		Risk Aggregation, Correlation and Concentration			
			Scenario Analysis and Stress Testing			
			Capital and Performance Management			

Considerations for accomplishing ERM goals



Where organizations are focusing risk management efforts



01

Identifying, focusing and responding to the right risks

- Linking risk to the strategy process
- Understanding risk interconnectivity
- Applying scenario analysis
- Enhancing risk assessment capabilities

02

Considering both upside versus downside risk

- Articulating risk appetite and tolerance
- Identifying signals of change and emerging risks
- Moving beyond only protecting downside

03

Risk management structure and governance

- Articulating ‘plain English’ risk program strategy
- Clarifying roles and responsibilities to operationalize the risk program
- Developing “as a service” capabilities for greater business access

04

Risk culture

- Understanding risk culture and its impact
- Targeted risk communication, awareness and training
- Performance management

05

Value added risk and compliance processes

- Performance versus process effectiveness
- Data-driven approaches
- Use of GRC tools for aggregation
- Automated and near real-time monitoring of risks

How we help clients

Case study: Integrated health care system

Client Challenge The client was a large integrated healthcare provider incorporating a health plan, numerous disparate hospital locations/systems, affiliates/partners, research and education functions. The client needed support to undertake a comprehensive Enterprise Risk Assessment (ERA) and to identify opportunities for Enterprise Risk Management (ERM) process enhancement to establish a proportionate and sustainable ERM framework that better codified and embedded risk management activities within its culture across the whole enterprise.

Approach KPMG provided support to the organization’s ERM lead and Enterprise Risk Committee (ERC) with key activities including:

- Refining organizational risk “language” including risk categories, definitions and criteria
- Conducting ERA interviews with key employees and board members to identify enterprise risks, including those external and emerging risks
- Analyzing risk data compiled through the ERA interviews, comparing to industry risk profiles to build a comprehensive risk view ranked according to probability and magnitude
- Undertaking an ERM Maturity Assessment, identifying the current state of ERM against KPMG’s global ERM framework and maturity continuum,
- Facilitating discussions with management to understand ERM program “desired state”, and providing detailed recommendations for process improvement/changes
- Providing training to the Board and ERC on risk appetite concepts
- Facilitating and reviewing pilot “risk deep dive” assessments for selected top risks to analyze risk root causes consequences, identify and document current mitigation activities, identify and capture key performance/risk indicators, and align risk metrics

Outcomes and benefits

- Independent insight into the entity’s risk profile with support and challenge through the risk assessment process
- Facilitated whole Board discussion leading to enhanced consensus on current risk environment, and attitude to and acceptance of key risks – validated risk profile, risk appetite statement and tolerances
- Improved linkage between “top down” strategy, risk appetite and “bottom up” escalation and reporting of risk
- Common and consistent language for dealing with risk across the entire enterprise

COVID-19, changing administrative policy, competition, innovation, and increased regulatory compliance all represent emerging challenges and opportunities for healthcare organizations. Enterprise Risk Management should be a top priority for your organization and KPMG can help.

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