

# Enterprise Risk Management

Creating a risk intelligence enterprise



## HFMA Compliance Conference 2018

December 18, 2018

### Agenda

- Introduction of Speakers
- ERM Program Approach
- COSO Framework
- Importance of a robust Enterprise Risk Management ("ERM") Program
  - ERM Program at speaker's organizations
  - Structure of ERM committee and report out
  - Challenges we face
  - Tips and tricks to align strategy and risk
- Q&A



## Julie Hamilton

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Julie has over 20 years of experience in the health care industry specializing in developing, assessing and managing corporate compliance and education programs. She has over 10 years of experience serving as Chief Compliance Officer in academic health care systems. She was the owner and Managing Partner of a healthcare compliance consulting business for four (4) years. As a consultant, she worked with hospitals, physician offices and other health care organizations including DME, SNF, and Indian Health centers providing compliance program assessments, effectiveness reviews, revenue compliance audits and investigations, policy and procedure review and development, compliance training and education.

As a leader, Julie is passionate about mentoring others. She serves on two Boards for the American College of Healthcare Executives - the Editorial Board of the Frontiers Healthcare journal as well as the Chicago Healthcare Executive Forum (CHEF). She has an MBA and has CHC and FACHE certifications.

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## John T. Randolph, CPA

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John joined UMass Memorial Health Care in January, 1999 and serves as the Vice President and Chief Compliance Officer. In this capacity, John oversees the development and execution of the UMass Memorial Health Care System Level Compliance and Privacy Program. He also provides oversight over the Executive Compensation Program, Conflicts of Interest and, co-chairs the UMMHC Enterprise Risk Management program. After leaving the Big 6, John developed the Internal Audit programs at Mass General Hospital and Partners Health Care and, after ten years, moved to private consulting prior to being recruited to UMass Memorial Health Care following the 1998 merger.

John serves on the AHA Chief Compliance Officers Taskforce, has been a member and prior Chair of the Mass. HFMA Accounting and Regulatory Committee for 30 years. In the past, He has also been a member of the AAMC Forum on Conflicts of Interest in Academia (FOCI) and, the AAMC Conflicts of Interest Taskforce, and several other committees.

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Kate most recently joined Partners Healthcare in September, 2016 as Corporate Director of Enterprise Risk Management. In this role, Kate facilitates assessment of enterprise-wide risks and leads deeper dive reviews of certain risk areas as requested by senior management and the Board annually. Work is performed in collaboration with various administrative and clinical representatives at both the Corporate and individual hospital/entity level.

Prior to this role, Kate was Vice President of Regulatory/Health Information and Chief Compliance Officer at South Shore Health System where she oversaw compliance, privacy, health information management, risk management, clinical documentation improvement and internal audit.

Before her role at South Shore Health System, Kate spent eleven years at Partners in compliance and internal audit roles. Kate began her career as an auditor and then compliance consultant with PricewaterhouseCoopers (PwC).

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# ERM Overview

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# ERM Program Approach



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## What is the business case for enhancing our ERM program?

Done right, ERM can enable you to proactively address risks that could negatively impact performance while creating opportunities and increasing confidence in strategic decisions to innovatively transform health care, and make your services more convenient, accessible and affordable for all.

### Organizations continue to see opportunities to improve ERM:



Organizations believe the volume/complexity of risks have increased past 5 yrs<sup>1</sup>



Boards want to see more involvement of senior execs in overseeing risk<sup>1</sup>



Organizations rate their ERM program as 'mature' or 'robust'<sup>1</sup>



Organizations do not complete formal assessments of emerging strategic, market or industry risks<sup>1</sup>

### Organizations with improved ERM programs have seen benefits<sup>2</sup>:

**48%** Improved cost effectiveness

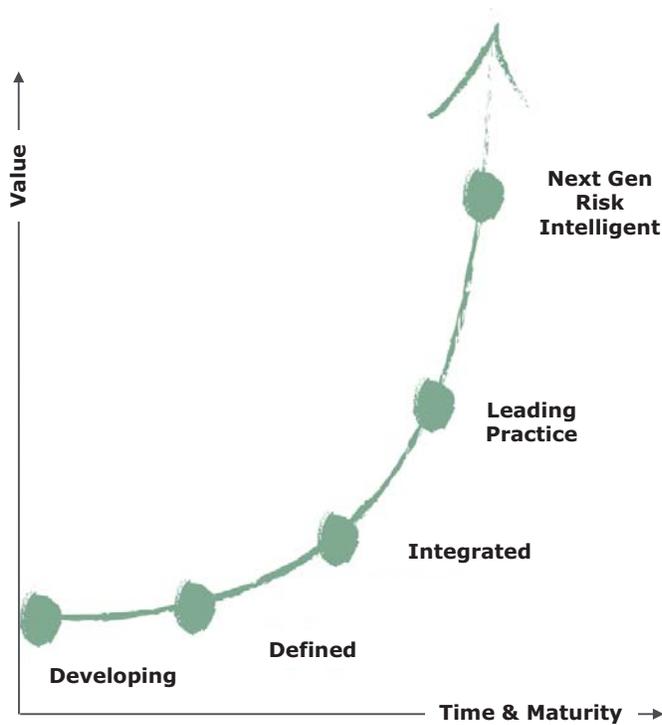
**41%** Improved customer loyalty

**47%** Successfully avoided major compliance failures

**38%** Successfully avoided major reputational failures

1. The State of Risk Oversight: An Overview of Enterprise Risk Management Practices, NC State ERM Initiative, 8<sup>th</sup> Edition (March 2017)  
 2. "Shift risk strategies, accelerate performance", Deloitte & Forbes Insights Survey on Risk Management, 2017

An organization can begin by understanding the maturity of its Risk Management program today and its vision for the future



**Next Gen Risk Intelligent**

Uses predictive analytics and data-driven technologies to automate processes, generate insights, and enable risk-intelligent decision-making.

*"How can I better anticipate risks and opportunities to optimize investments and accelerate performance?"*

**Leading Practice**

Risk is built into decision-making. Selectively seize opportunities because of ability to exploit risks.

*"How can I take smarter risks and capitalize on opportunities to achieve strategies and enhance performance?"*

**Integrated**

Activities are implemented consistently across the enterprise and are correlated and aggregated across risk types and business units, and encompass most risk types.

*"What are the risks across my businesses and strategies?"*

**Defined**

Most business units function independently. Activities are either not applied consistently across business units or may be in development, but are not yet finalized.

*"What are the risks to each of my businesses?"*

**Developing**

Activities are unstructured, uncoordinated, and undocumented, or they may be absent. No overarching philosophy or objectives are defined.

*"What are my risks?"*

# COSO Framework

# What is ERM according to COSO?



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## 2017 COSO ERM Framework – Integrating with Strategy and Performance

This new framework highlights the importance of ERM in strategic planning and embedding it throughout an organization—because risk influences and aligns strategy and performance across all departments and functions.



COSO published the ERM framework in September 2017. You can download an executive summary and the full presentation at [www.coso.org](http://www.coso.org).

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## Five risk management components

COSO's ERM framework focuses on just five key components for building an effective ERM program, and introduces 20 key principles within each of the components



*COSO's new framework focuses on integration, emphasizes value, links to strategy and performance, recognizes the importance of culture, and focuses on risk-based decision-making*

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## COSO ERM Framework – why the change and what's different?

### Key differences from COSO's 2004 ERM Framework:

-  Provides greater insight into the role of ERM when setting and executing strategy
-  Enhances alignment between performance and ERM
-  Expands reporting for greater stakeholder transparency
-  Accommodates evolving technologies and growing data analytics use

### Why the change?

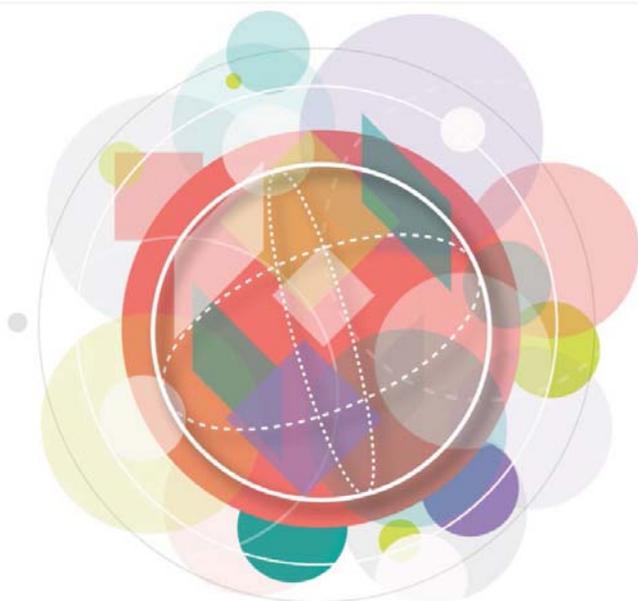
The complexity of risks has changed, new risks have emerged, and boards have enhanced their awareness and oversight of ERM while asking for improved risk reporting.

## Other top changes...



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## Strategic value of ERM



-  Increases the range of opportunities
-  Increases positive outcomes while reducing negative surprises
-  Identifies and manages entity-wide risks
-  Reduces performance variability
-  Improves resource deployment
-  Enhances enterprise resilience

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## Value of aligning strategy and risk

ERM helps an organization better understand:



How mission, vision, and core values shape what types and amount of risk are acceptable when setting strategy



The possibility that strategy and business objectives may not align with the mission, vision, and core values



The types and amount of risk the organization potentially exposes itself to by choosing a particular strategy



The types and amount of risk in carrying out the strategy and its ultimate value

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## Lessons learned and key takeaways



Leverage the new COSO framework to **integrate ERM with business practices** for improved decision making



Understand your company's risk culture and how it can be **measured and monitored to improve risk awareness** across the organization



Align strategy **with mission, vision, values and business objectives**



Proactively identify, analyze and understand the implications of risks to executing the strategy



**Spot, assess, and manage emerging challenges** and risks to the enterprise's **current business model and strategy**



"Stress test" the **assumptions underlying new strategies or initiatives** in order to determine how these **choices could be threatened in unexpected ways**

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# Speakers Perspectives

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## ➤ Importance of a robust Enterprise Risk Management (“ERM”) Program

- ERM Program at speaker’s organizations
- Structure of ERM committee and report out
- Challenges
- Tips and tricks to align strategy and risk

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# Q&A

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