



INTEGRATED RISK MANAGEMENT: WHY HIGH-PERFORMING HEALTHCARE ORGANIZATIONS ARE TAKING THE LEAP

Reimagining risk, safety, quality, and compliance
in 2021 and beyond

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Integrated Risk Management: Why High-Performing Healthcare Organizations Are Taking the Leap

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JAY LECHTMAN

Vice President of Healthcare
Strategy and Innovation
at Riskconnect

Healthcare risk management cuts across a health system's entire ecosystem, impacting everything from patient safety and compliance to operations, HR, and operating margins. While healthcare organizations have significantly reduced risk in the last decade by improving patient safety, quality, and care outcomes, 2020 firmly established that risk management is becoming more complex than ever before.

In addition to the momentous clinical and operational changes that hit healthcare last year, U.S. health expenditures are projected to nearly double from \$3.8 trillion in 2019 to \$6.2 trillion by 2028, according to CMS. The rise in cost also reflects rising risks as provider organizations incorporate new technologies from telehealth platforms and connected medical devices, and respond to new reimbursement and performance evaluation initiatives, to list just a few examples.

The pressure is on for healthcare organizations to speedily evolve their risk management strategies, including rethinking how they collect and share risk information across health systems. Today, most information on risk, quality, and safety still resides in departmental silos and under the purview of many job titles, making it difficult to organize, report, and take strategic actions.

As healthcare leaders look toward an uncertain future, they will need a comprehensive organizational view of risk management activities. High-performing organizations recognize this and are moving to an enterprise risk management (ERM) model that integrates risk, safety, and other operational and strategic information in one place.

Why Risk Is Becoming More Complex

Healthcare has been rocked by tremendous change in the last several years, with significant shifts happening in 2020 as the pandemic unfolded, sparking technology and clinical care advancements along with an increase in political and regulatory uncertainty. "The velocity of risk is increasing as are the financial implications," says Jay Lechtman, vice president of healthcare strategy and innovation at Riskconnect.

Nowhere is this more evident than with recent technology advances. "An increasing number of intelligent devices are connected to patients and each other through the internet of things, leading to cybersecurity concerns, among other risks," says Lechtman. Further, "within a year, telehealth has gone from limited use due to coverage and reimbursement barriers to becoming the most common way patients

now interact with providers. The pace of adoption, fueled by the pandemic, led to significant uncertainty around reimbursement, liability coverage, license limitations, and privacy compliance,” he adds.

Other top trends impacting risk and safety programs include the following:

- **Novel diseases.** COVID-19 and potential future pandemics pose existential threats to provider organizations, increasing the cost and complexity of care while dramatically reducing revenue.
- **High-reliability goals.** High reliability focuses on reducing risks related to preventable patient harm to zero. At the same time, ERM, which the American Society for Health Care Risk Management began advocating for in 2014, requires a certain level of risk tolerance in key functional areas. How can these seemingly competing goals coexist?
- **Value-based care and the increase in risk-based models.** Value-based care is becoming more financially important to providers. “The penalties and the incentives are becoming more material,” says Lechtman. What’s more, quality data is improving. “The EHR is providing data that’s more accurate and harder to explain away than billing data–based measures.”
- **The shift to organizational resiliency.** Healthcare’s focus on business continuity management has primarily centered around compliance (e.g., HIPAA) and continuity of care during events of comparatively limited geographic scope and duration (e.g., hurricanes or earthquakes), due in large part to the federal emergency preparedness *Conditions of Participation*. “However, COVID-19 has taught healthcare two critical things in this area: Compliance can become fluid and uncertain in a widespread emergency, and business continuity isn’t always possible. Resiliency is more realistic,” says Lechtman.
- **Supply chain consolidation.** Supply chain management became a lot riskier as the pandemic unfolded because of the traditional push to reduce supply costs in healthcare by aggregating buyers and consolidating vendors to improve purchasing power. “This backfired when the pandemic began, leading to extended shortages of critical equipment,” says Lechtman.
- **Mergers and acquisitions.** M&A activity in healthcare is on an extended upswing, only temporarily slowed by COVID-19.

Hospital systems are consolidating with each other just as they are expanding their ownership of ambulatory providers. Private equity firms are investing in specialty physician groups and growing them into regional and national networks. Even major health insurers are aggressively acquiring providers and ambulatory care settings like ASCs. These larger and more diverse organizations have a higher profile for clinical liability as they also face the operational and strategic risks and opportunities brought about by the M&A activity itself.

Growing Need to Integrate Risk and Safety Information

These complex changes signal it’s time for healthcare organizations to advance beyond traditional risk management. “Traditional risk management needs to expand if it is to keep up with the increasing complexity—both internally and externally—of healthcare,” says Lechtman. “The limitation of traditional risk management is that its focus is on patient safety and the subsequent downstream risks related to claims and litigation, which, while important, is also incomplete,” he adds.

Lechtman says healthcare organizations today need a complete picture in one place of all of their risks, including newer risks related to strategy, M&A, access to capital, third-party risk management, and other topics. He points out that hospitals recognize this and are increasingly starting to develop ERM programs. “When designed and implemented effectively, ERM offers a holistic and comprehensive approach to managing all of the risks across the healthcare organization,” says Lechtman.

The challenge of information silos

But ERM alone is only part of the success formula. Lechtman says information silos are a significant obstacle to that holistic and comprehensive view of risk. Many health systems, for example, create and manage their ERM programs out of the compliance department, largely divorced from traditional clinical risk management. Worse, the functional areas that address clinical risk—patient safety, patient experience, quality, claims, and litigation—have traditionally employed separate information management applications.

Outdated technology, fragmented data, and information barriers can trap critical information related to risk. “With traditional software, paper, or spreadsheets, they can only see one or two pieces of that risk management puzzle,” says Lechtman. “And any consolidated view requires inefficient and often ineffective manual aggregation, correlation, and analysis.”

That manual work won’t cut it moving forward. “Effective enterprise risk management requires an integrated, real-time view of all risks across the organization to make fast, accurate, and strategic decisions,” Lechtman says. However, hospitals have not been successful in breaking down silos and removing barriers to cross-functional communication and collaboration. “They may get reformed or aggregated into new, larger silos, but silos never really disappear, and therefore the information is not transparent or easily accessible,” says Lechtman, adding, “The right technology can see into, through, and between these silos and connect the data where it resides.”

The Power of One Integrated Solution

As hospitals work toward an ERM solution, CIOs and CISOs are increasingly looking to reduce the number of technology vendors because of security breaches and risks from business associates. They are also looking to shut down legacy technology and move to the cloud. “These factors are pushing healthcare to find single

risk management solutions that do more things but do them well while continuing to innovate, upgrade, and enhance capabilities,” says Lechtman.

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Incomplete solutions still dominate

The problem is that most risk technologies are still single-point solutions. Over time, EHRs have incorporated many separate clinical systems to improve clinical interoperability—becoming, in many ways, a single source of truth. The same cannot be said for all of the technology systems that help healthcare organizations manage safety, quality, compliance, and risk. “There hasn’t been

an equivalent single source of truth for patient safety, claims, compliance, and other systems,” says Lechtman.

“Health systems can have a dozen or more software solutions, which do not communicate adeptly with each other,” says Lechtman. “This fragmented landscape poses a challenge to healthcare organizations,” he adds. “Most technology systems and platforms cannot break through risk management information silos; thus, healthcare organizations rely on manual processes and people to connect the dots. The result is many things fall through the cracks.”

For example, a typical health system may report patient safety incidents in one place while logging complaints from those same patients in a different place. If those complaints or safety incidents turn into potential claims or litigation, they are managed in a third or even fourth location.

The other EHR: How integrated platforms can find risk anywhere

The advent of new technologies, including low-code/no-code development platforms, and software as a service and platform as a service offerings, enables forward-focused vendors to change how healthcare provider organizations view and manage risk. “Innovative technology companies are combining an integrated risk management vision with flexible and scalable platforms to create IRM solutions that are quickly becoming the other EHR,” says Lechtman.

A single, integrated risk management solution brings all of the pieces together, connecting many critical nonclinical functions. This comprehensive platform allows organizations to take a more proactive approach to risk management and plan for new industry disruptions, offering the most transparent view of risk by weaving together the threads of data regarding safety, experience, quality, compliance, and risk for efficient and actionable analytics.

“At its core, the technology, in addition to doing a lot of other things well, can make the information that’s in those silos interrelate in ways that make the silo walls invisible,” says Lechtman. “It can find that data, visualize it, expose relationships, and then analyze that data as if it was all connected, providing intelligent, accurate, and actionable insights to the people that need them.”

Key benefits of an integrated risk management platform:

- Consolidates all relevant risk information in one location

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- Works within silos, creating a common approach to addressing all types of risk
- Grants access to critical information as it’s happening, providing an early and unobstructed view of the leading indicators of more significant risk trends
- Enables workflow optimization, automation, and standardization
- Allows for advanced operational surveillance to establish metrics and track performance
- Enables a powerful, cohesive risk management strategy

Strategic vendor partnerships

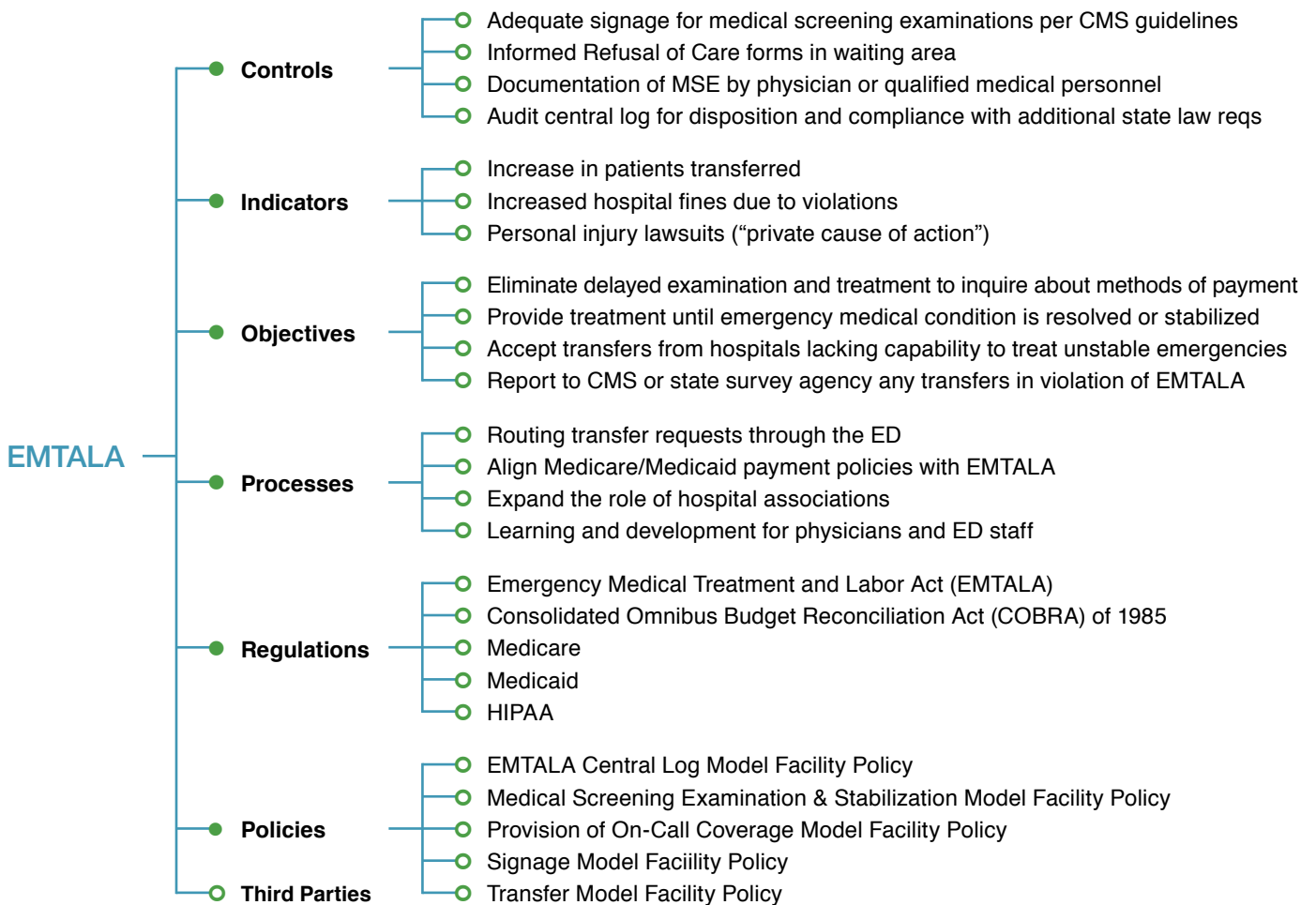
As healthcare increasingly recognizes the value of having everything related to risk in one place with one view, many legacy vendors are attempting to keep up and develop these solutions. Presenting a comprehensive view is a top priority, but most vendors still have fragmented solutions. “It is critical to understand what a vendor partner can and cannot do,” says Lechtman. “Healthcare leaders need to understand the critical components of comprehensive, integrated risk management and look objectively at their vendors to determine if they have all the pieces.”

Many vendors, for example, are missing adequate claims and litigation solutions as part of an integrated risk management platform. “You can’t be considered a serious integrated risk management vendor in healthcare if you don’t have viable claims, litigation, and insurance management capabilities,” says Lechtman.

A single risk can be related to multiple touch points across risk areas that only technology can find quickly and accurately, including the following:

- Legal/regulatory
- Financial
- Operational
- Human capital
- Technology
- Culture
- Strategy

FIGURE 1. RISK CORRELATION IN THE RISKONNECT PLATFORM



“Aggregating, normalizing, and correlating risk management data is extremely complicated without the right technology,” says Lechtman. (Figure 1) “Technology can simplify those risk relationships, so leaders spend less time figuring out how the pieces connect and focus on looking at the entire picture to make the right decisions quickly.”

Furthermore, a strategic partner who understands your data can help implement data management best practices and leverage analytics for deeper, more meaningful insights. “You want somebody who understands where the data typically is in those silos and how software can bring it together and make key connections,” says Lechtman. Their system should also be flexible enough to accommodate risk-related changes as quickly and as often as necessary. “Risk can change quickly, spectacularly, and in unexpected ways. It doesn’t care if your system can only do assessments once a year or won’t let you make your heat map any larger,” he adds.

Creating Long-Term Value

Healthcare organizations can build lasting value by transitioning to an integrated risk management solution. This creates a strong foundation for growing and evolving a risk-based culture, allowing organizations to better align risk management goals and tactics with top-line strategies. Ultimately, integrated risk management also helps healthcare organizations improve financial resiliency at one of the most critical junctures in the industry’s history. ■

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About Riskconnect:

Riskconnect is the leading integrated risk management software solution provider. Our technology empowers organizations with the ability to anticipate, manage, and respond in real-time to strategic and operational risks across the extended enterprise.

The Riskconnect community includes eight of the 10 largest US health systems, more than 140 of the top health systems and life sciences organizations, and over 1,200 acute care hospitals.

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