



# Quality & Risk Management in the Health Care Sector

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# Agenda

- Introduction
- What is risk?
- Why Risk Management?
- Benefits of Risk Management
- Scope of Health Care categories of risk
- Risk Management Process for Health Care
- Implementation of the corporate program for risk management
- Conclusion



# Introduction

- Healthcare risk management processes have developed since 1960 and originated in the USA.
- Today, risk management is beginning to drive public sector and private sector management in many countries.
- However, healthcare is more than a decade behind other high risk industries in its attention to ensure safety, and safety is the first critical step in improving quality of care.
- Traditionally, risk management has been driven by insurance and litigation.
- Recent emphasis has been on a more “holistic” approach, driven by a desire to balance stability and innovation.



# What is Risk?

- In order to manage risk we need to understand what it really means
- Risk definition (AS/NZS 4360:1999):

*“ the chance of something happening that will have an impact on the objectives. It is measured in terms of consequences and likelihood. ”*



## What is Risk? (cont'd)

- Risk is the possibility of exposure to such factors as financial loss, physical damage, injury or delay as a consequence of action or a lack of it.
- The level of risk exposure is the combination of the likelihood of risk occurring and consequences if it does occur.



# What is Risk? (cont'd)

- Risks and their consequences might include, but are not limited to:
  - Breach of legal or contractual responsibility
  - Breach of security
  - A threat to physical safety
  - An adverse event during the care process
  - Deficiencies in financial controls and reporting
  - Failure of a project to reach its objectives
  - Failure of equipment or computer system
  - Fraud
  - Patient or family dissatisfaction
  - Unfavorable publicity
  
- In any healthcare organization risks can arise from internal and external sources



# Why Risk Management?

- Risky management, characterized by taking reckless decisions without careful consideration, is not acceptable in the accountability environment of the Health sector.
- In turn, the risk management process provides a way for realizing the opportunities without exposing the organization to unnecessary risk.
- Risk Management Definition (AS/NZS 4360:1999):

*“the culture, process and structures that are directed towards the effective management of potential opportunities and adverse effects”*



# Accreditation Mandatory Requirements

- The hospital must have a documented risk management plan that includes but not limited to:
  - Information Technology service loss
  - Major equipment failure
  - Credit withdrawal/loan arrangements from external financiers
  - Staff negligence and malpractice



# Benefits of Risk Management

- Better preparedness and more positive outcomes
- Compliance with relevant legislation
- Reduced costs
- Stronger basis for strategic planning
- Greater openness and transparency
- Better identification and exploitation of opportunities
- Improved services
- Better use of resources
- Better outcomes in terms of health care safety
- Increased effectiveness and efficiency



# Risk Management Requirements

- Risk management involves a number of specific requirements, implementation of which leads to effective identification and application of opportunities or avoidance/reduction of threats.
- The key issue in the risk management is a **pro-active approach**, allowing to deal with both, the opportunities and threats of change.



# Healthcare Risk Categories

To be truly comprehensive the risk management program must address the full scope of the following categories of risks:

## Patient care related risks

- Direct clinical care activities,
- Incorrectly performed medical treatments
- Patients discharge arrangements
- Protection of patient's valuables
- Medicines management, etc.

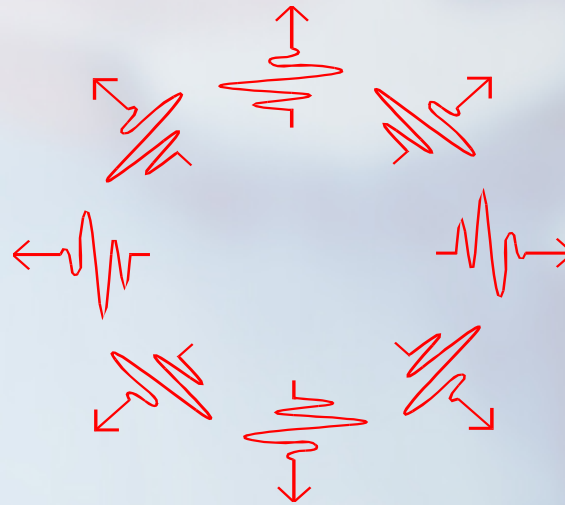
## Clinical staff related risks

- Confidentiality and protection of data
- Staff credentialing (Accreditation rqs)
- Disciplinary processes (Accreditation rqs)

## Financial risks

- Law suits from shareholders against improper conduct or fulfillment of duties
- Contractual risks (Accreditation rqs)
- Not funding critical programs (Accreditation rqs)

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## Other risks

- Reputation, Political,
- Emergency preparedness
- (Equipments, strike, etc.- Accreditation rqs)
- Catering and food hygiene
- Information management and
- Technology (Accreditation rqs)

## Employee related risks

- Occupational illness and injury
- Discrimination, wrongful dismissal and issues related to Equal Employment Opportunity

## Property related risks

- Loss from fire, floods and other perils
- Damage and destruction of records

## Corporate governance risks

- Quality of care provided
- Performance of the staff
- Governance of facilities and services

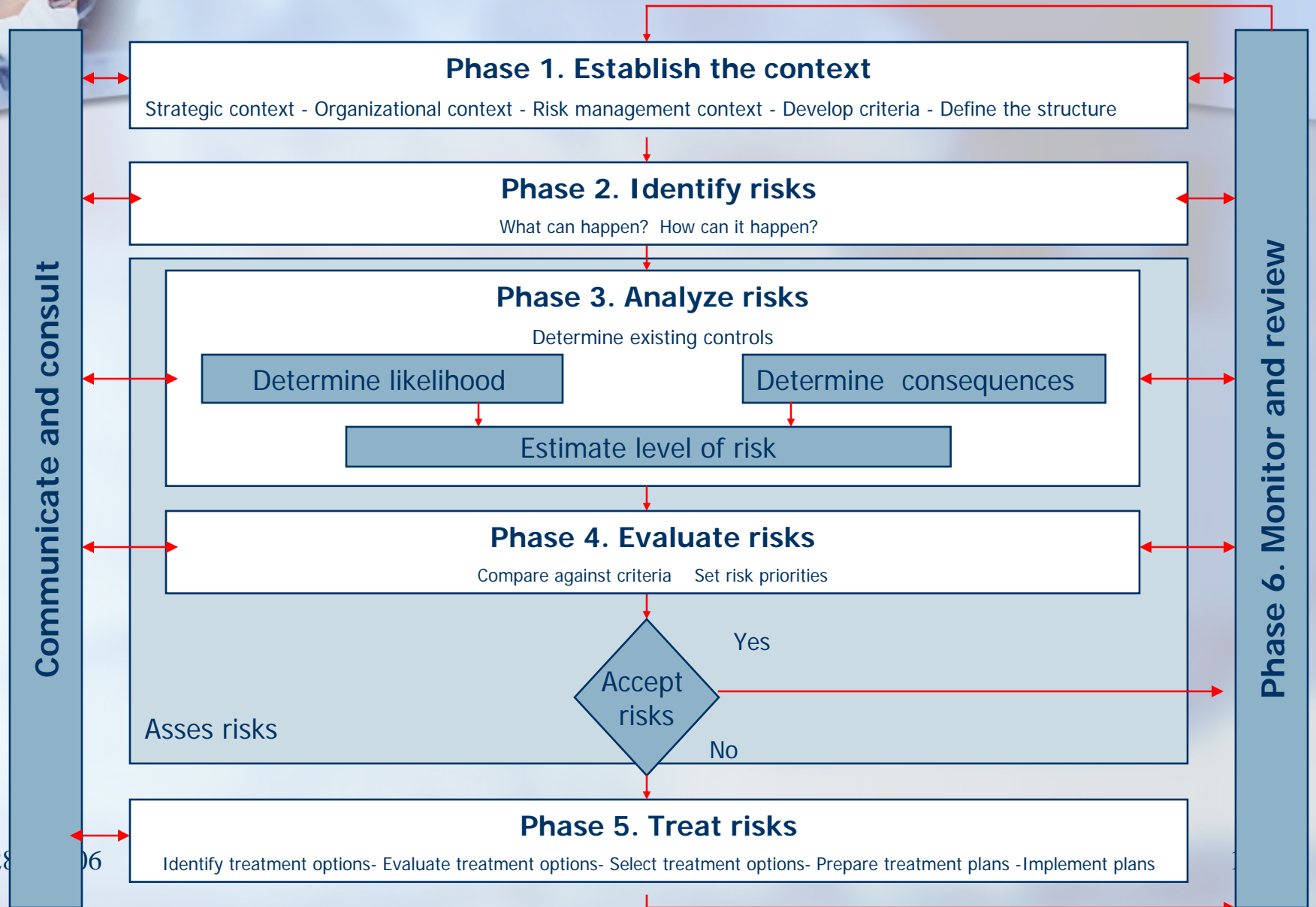


# Risk Management Process

- The generic process for managing risk is a structured framework for incorporating risk management into the broader management process of the organization.
- Risk Management Process definition (AS/NZS 4360:1999):

*“the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risk.”*

# Risk Management Process (cont'd)





# Risk Management Process: Phase 1. **Establish the Context**

- Establishing the context involves the following steps:
  - **1.** Establish the strategic context
  - **2.** Establish the organizational context
  - **3.** Establish risk management context
  - **4.** Develop risk evaluation criteria
  - **5.** Define the structure



# Risk Management Process: Phase 2. **Identify Risks**

- Comprehensive identification using a well-structured systematic process is critical because a potential risk is not identified at this stage is excluded from further analysis and treatment.
- All risks should be identified whether or not they are under the control of the organization.



# Risk Management Process: Phase 3. **Analyze Risks**

## **Risk Analysis**

- The objectives of risk analysis are:
  - Separate minor acceptable risks from major risks
  - Provide data to assist in the evaluation and treatment of risks
  
- Risk analysis includes determining existing controls by identifying existing management, technical systems and procedures to control risks, and assess their strength and weaknesses.



# Risk Management Process: Phase 3. Analyze Risks (cont'd)

Table 1. Likelihood. Example 1

Level	Descriptor	Description
A	Almost certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time
D	Unlikely	Not expected to occur
E	Rare	May occur only in exceptional circumstances



# Risk Management Process: Phase 3. Analyze Risks (cont'd)

Table 2. Consequences

<b>Catastrophic</b>	The consequences will threaten the survival of the organization. Revenue loss greater than $x$ % of total revenue would cause tremendous financial and political impact.
<b>Major</b>	The consequences would threaten the organization in the long term. Revenue loss greater than $y$ % of total revenue would have very high financial and political consequences. ( $y < x$ )
<b>Moderate</b>	The consequences would not threaten the organization in the long term, but would cause strong negative impact in the short term. Revenue loss greater than $z$ % of total revenue would have medium impact. ( $z < y$ )
<b>Minor</b>	The consequences would threaten the efficiency or effectiveness of some aspects of the organization. A loss of revenue below the program tolerance level of 5 % is of low consequence.
<b>Insignificant</b>	The consequences are dealt with by routine operations. A loss of revenue below the program tolerance level of $w$ % are of negligible consequence.



# Risk Management Process:

## Phase 3. Analyze Risks (cont'd)

- Combining Table 1 (likelihood) and Table 2 (consequence) allows determining the level of risk.

Table 3. Level of risk

Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (almost certain)	H	H	E	E	E
B (likely)	M	H	H	E	E
C (moderate)	L	M	H	E	E
D (unlikely)	L	L	M	H	E
E (rare)	L	L	M	H	H

**Legend:** E- extreme risk, immediate action required H- high risk, senior management attention needed  
M- medium risk, management responsibility must be specified, L-low risk, manage by routine procedures



# Risk Management Process: Phase 4. Risk Evaluation

- This step should be completed with documentation, which meets the need for records in relation to level of risk. It should include:
  - Rationale for initial screening of low risks
  - For all other risks
    - Existing controls
    - Likelihood of occurrence (with or without the controls)
    - Severity of consequences (with or without the controls)
    - Resulting level of risk



# Risk Management Process: Phase 4. Risk Evaluation (cont'd)

- Risk evaluation involves comparing the level of risk found during the analysis process with previously established risk criteria. The output of risk evaluation is a prioritized list of risks for further action.
- This step involves defining whether a risk is acceptable or unacceptable.
- The significance of the risk and the importance of the policy, program, process or activity need to be considered in deciding if a risk is acceptable.



# Risk Management Process: Phase 4. Risk Evaluation (cont'd)

- There are several reasons why a risk may be accepted:
  - The cost of risk treatment is significantly excessive compared to the benefit
  - The level of risk is so low that specific treatment is not appropriate within available resources.
  - There is no treatment available for the risk.
  - The opportunities presented outweigh the threats to such a degree that the risk is justified.



## Risk Management Process: Phase 4. Risk Evaluation (cont'd)

- One approach of risk evaluation is to compare the level of each risk against the level of acceptable risk.
- The risks that are evaluated as unacceptable are to be treated in some way and are prioritized at this step for subsequent management action.



# Risk Management Process: Phase 4. Risk Evaluation (cont'd)

- Key questions in risk evaluation
  - What is the acceptable level of risk?
  - What is the priority of the risks (e.g. high, medium, low)?





# Risk Management Process: Phase 5. **Treat Risks**

- Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them.
- Risks that were previously assessed as not acceptable are treated during this step.



# Risk Management Process: Phase 5. **Treat Risks (cont'd)**

- There are various options of risk treatment available to choose from:
  - **1. Avoiding**
  - **2. Reducing**
  - **3. Transferring**
  - **4. Retaining**



# Risk Management Process: Phase 6. **Monitor and Review**

- It is necessary to monitor risks, the effectiveness of the risk treatment plan, strategies and the management system which is set up to control implementation.
- Because risks are not static, risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter risk priorities.



# Implementing a Corporate Program for Managing Risk

- **Purpose:** the development of an organizational risk management policy and support mechanism is needed to provide a framework for carrying out a more detailed risk management program at the project or sub-organizational level.



# Implementing a Corporate Program for Managing Risk (cont'd)

- A number of steps are required to implement an effective risk management program.
- Depending on the organization's risk management philosophy, culture and structure it should be possible to combine or omit certain steps.



# Implementing a Corporate Program for Managing Risk (cont'd)

- Obtain top management commitment
- Develop risk management policy
- Establish organizational infrastructure
- Manage risk
- Monitor and Review
- Set, manage and review risk management plan



# Conclusions

## Key messages for healthcare managers in managing risk:

- Actions taken to manage risks should be integrated with existing planning and operational processes.
- Effective management of risk depends on good quality information
- Everyone is responsible and accountable for managing risk in their work
- Legislative requirements and the political, social and economic environment need to be taken in account when managing risks.
- People should be encouraged and supported in by their leaders to manage risks.
- There are risks to be managed in all work.
- The AS/NZS 4360:1999 standard provides a framework or systematic approach for making decisions about how to manage risks.



Thank you!  
Questions?