

# HEALTHCARE PERSPECTIVE

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## Principles of Healthcare Risk Management

Every healthcare organization, no matter how small or specialized, must be aware of its risk profile and take appropriate measures to protect itself against clinical, operational and financial exposures. This premier issue of *Healthcare Perspective* is intended to help healthcare business owners reduce liability by:

- *Examining basic risk management concepts*, including the process of creating a risk control program.
- *Suggesting ways to integrate risk control strategies into day-to-day operations*, as well as long-term planning.
- *Providing a self-assessment checklist* to identify areas needing improvement.

Future editions of this newsletter will suggest more specific strategies – including human resources practices and operational policies and procedures – to detect and mitigate a wide range of legal/regulatory, personnel and technology risks.

### ENVISIONING THE RISK MANAGEMENT PROGRAM

The systematic effort to reduce risk begins with a formal, written risk management program or plan that:

- *Declares* the organization's goals.
- *Describes* the program's scope, components and methods.
- *Delegates* responsibility for implementation and enforcement.
- *Demonstrates* leadership commitment.
- *Delivers* guarantees of confidentiality and immunity from retaliation for staff members who report sensitive information.

The risk management program should be clearly communicated, so that all staff members understand its basic elements and aims. While certain aspects are common to most programs, others address an organization's unique confluence of liability issues. The process of reducing exposure therefore involves identifying and analyzing current exposures, as well as industry-wide issues and trends. (A [sample risk management plan](#) is available from Healthcare Providers Service Organization.)

### IDENTIFYING RISKS

**Incidents.** Risk cannot be properly addressed until a system is in place for tracking and recording unusual occurrences. The most common method for describing untoward events is the incident report form. The form's standardized format enables staff members to document in a clear, concise and consistent manner anything they witness that deviates from routine care.

The incident report form is designed to:

- *Capture relevant, objective information* regarding the event and surrounding circumstances.
- *Notify management* of a potentially serious or litigious situation.
- *Facilitate entry of information gathered into a computer database* that tracks and trends adverse events.

By categorizing incidents according to type of event, time of day and department, organizations can identify where and when problems tend to originate, as well as the underlying issues, such as staffing, training or communication. Incidents should be categorized both by *frequency* (i.e., the number of times an event occurs) and *severity* (i.e., the event's seriousness and potential impact). In addition, clear and detailed policies should be in place relating to the following incident-reporting questions:

- *Who is authorized to complete an incident report form, and who is not?*
- *What details should be included in every incident report?*
- *How soon after the incident should the report be filed, and how is this time frame enforced?*
- *Who is required to review the report upon its completion and filing?*
- *Who is responsible for following up on the event and monitoring any aftereffects?*
- *Who has access to filed incident reports, and how is confidentiality protected?*
- *How are completed incident forms secured, and how long are they maintained?*

**Satisfaction surveys** constitute an important means of identifying and defusing service and communication lapses that, if unaddressed, could result in legal action. Surveys should be brief, comprising no more than 10 multiple-choice questions with space for comments, and should be given to patients/clients in waiting rooms or mailed to them. As with incident reports, survey results must be carefully tracked and analyzed to identify patterns and trends.

Consider including the following topics and questions in the patient/client survey:

- *Convenience* (e.g., Are the hours of operation convenient for you?)
- *After-hours assistance* (e.g., If necessary, were you able to obtain emergency information and services when the office was closed?)
- *Physical environment* (e.g., Do you find the treatment areas clean and comfortable?)
- *Accessibility* (e.g., Are the office and grounds accessible, or do they present physical obstacles?)
- *Atmosphere and attitude* (e.g., Are staff members friendly and helpful to you?)
- *Communication* (e.g., Are your questions answered promptly and courteously?)
- *Referrals* (e.g., If you needed to see other providers or obtain specialty care, were you assisted in making appointments?)

In addition to surveying patients/clients, regularly ask employees and practitioners about their opinions and satisfaction levels. This creates a channel of constructive communication, serving both to warn of simmering problems and to bolster loyalty and morale.

**Complaints** are a key form of input, requiring both individualized response and scrupulous tracking. The organizational risk management program should address the following procedural questions:

- *Who is notified* after a complaint is received?
- *How are complaints logged, processed, categorized and filed?*
- *Who is charged with responding to complaints and communicating with the aggrieved party?*
- *Who is responsible for monitoring follow-up and resolution of complaints?*
- *How and when are involved staff members informed that a complaint has been made?*

### MAPPING RISKS

The first step in creating a risk management program is to classify and assess organizational exposures. The following chart lists risk categories common to many healthcare settings, as well as some of the specific functions, issues and requirements that fall within the various categories:

## Identification of Risks

RISK CATEGORY	COMMON ISSUES
Strategic planning	Marketing, expansion, mergers and acquisitions, additional medical specialties, capital needs, enterprise risk management.
Human resources	Employment practices liability, scope of practice, credentialing, background checks, competency assessments, in-service education.
Clinical risk	Standard of care, infection control, preventive care/screening, medication/pain management, referrals/consultations, drug or device recalls, patient/client education.
Customer and community relations	Provider-patient/client relationships, complaints, satisfaction survey findings and subsequent actions taken, disclosure of unanticipated events, crisis management.
Operational risk	Incident reporting, policies and procedures, performance improvement, scheduling and waiting times, missed appointments, patient/client tracking and follow-up, environment of care, fire safety, disaster/emergency preparedness, security, office physical plant and surroundings.
Information technology	Electronic health records, data privacy and security, email, social media, facsimile, texting, telephone and other remote consultation.
Legal/regulatory	Patient/client rights, informed consent, HIPAA privacy and confidentiality provisions, Clinical Laboratory Improvements Act (CLIA) regulations, patient/client termination, contract management, closing or leaving a practice.
Financial	Insurance denial of care, billing and collections, Medicare/Medicaid reimbursement.

## RESPONDING TO RISKS

Managing risk involves using the information provided through incident reporting, survey findings and other feedback mechanisms to support these four basic initiatives:

*Prevention* encompasses proactive risk awareness and safety programs for patients/clients, staff, providers, family members and visitors. The goal is to ensure that everyone is aware of the most common risks and knows how to protect themselves and others.

*Correction* means implementing post-incident remedial actions to minimize the impact of the event and to prevent future similar occurrences. The corrective measures must be monitored and audited to assess their effectiveness.

*Documentation* is a critical element of legal defense in the event of a professional liability claim. Healthcare information records must be thorough and complete. In addition, institutional policies and procedures – including past policies that have lapsed or been modified – should be carefully documented and stored.

*Education* involves engaging staff through relevant, practical and meaningful in-service seminars given at orientation and at least annually thereafter. Training should include both an overview of the risk management process and a detailed treatment of other key topics. The educational sessions should clearly explain what constitutes an incident, how incidents should be reported, and why thorough and objective incident documentation is of critical importance.

## MAINTAINING VIGILANCE

The final step in managing an effective risk management program is to evaluate and review the program on an ongoing basis, and to inform staff of any changes. As healthcare reform and other legislative and regulatory initiatives continue to reshape the industry, new and unpredictable risks will emerge. Business owners must remain attentive to their own risk situation, as well as the broader political, economic and social developments affecting the health-care field.

The following strategies can help strengthen an organization's overall risk management effort by detecting and measuring areas of vulnerability and assessing adequacy of insurance coverage:

- *Benchmarking*, i.e., reviewing various industry reports and established metrics, in order to compare the scope, reliability and value of an organization's insurance coverage and risk control program against industry norms.
- *Risk evaluation*, i.e., obtaining evaluation of current risk control measures and coverage from insurance professionals, and making strategic decisions in view of their recommendations.
- *Data modeling*, i.e., combining loss data from the insurance industry with decision-support products to define and address individual risks.
- *Financial analysis*, i.e., weighing the efficiency of current insurance and risk control expenditures against hypothetical alternatives.

Today's evolving legal, regulatory and business environments require a risk management program that is proactive, strategic and integrated with senior-level decision-making. The suggestions and ideas presented here can help launch organizations on the path toward greater security and success, now and in the future.

## Risk Control Self-assessment Checklist

### PRINCIPLES OF RISK MANAGEMENT

This resource is designed to help healthcare business owners evaluate basic policies and procedures. For additional risk control tools and information on a wide and growing range of topics, visit [www.cna.com](http://www.cna.com), [www.hpso.com](http://www.hpso.com) and/or [www.nso.com](http://www.nso.com).

SELF-ASSESSMENT TOPIC	(Y/N)	ACTION(S) NEEDED TO REDUCE RISKS
<b>STRATEGIC RISK</b>		
Promotional/marketing materials (e.g. advertisements, brochures, websites, phone book listings) are reviewed to ensure they contain no inappropriate language or inaccurate descriptions, and convey no unreasonable expectations.		
The organization has a formal written risk management plan that:		
<ul style="list-style-type: none"> <li>▪ Declares the organization’s risk control goals.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Describes the risk control program’s scope, components and methods.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Delegates responsibility for implementation and enforcement.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Demonstrates leadership commitment.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Delivers guarantees of confidentiality and immunity from retaliation for staff members who report sensitive information.</li> </ul>		
<b>HUMAN RESOURCES RISK</b>		
The pre-employment screening process includes the following documented elements:		
<ul style="list-style-type: none"> <li>▪ A drug screen.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ A background investigation including criminal record, Office of Inspector General (OIG) and sex abuse registries for all states where the applicant has lived or worked, and credit history, if relevant and legally permissible.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Documentation of reference verification.</li> </ul>		
Each position has a written job description listing specific responsibilities and required competencies.		
All staff members undergo a formal office orientation program, which covers the following topics, among others:		
<ul style="list-style-type: none"> <li>▪ The organization’s mission and vision.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Job expectations and duties (which employees must agree to in writing).</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Performance expectations and evaluation process.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Office equipment and other basic operations.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Appropriate professional appearance and behavior.</li> </ul>		
Human resource policies and procedures are in writing, and are reviewed regularly to ensure compliance with pertinent federal, state and local legal requirements, such as:		
<ul style="list-style-type: none"> <li>▪ Americans with Disabilities Act.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Health Insurance Portability and Accountability Act of 1996 (HIPAA).</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Anti-discrimination statutes and regulations.</li> </ul>		

SELF-ASSESSMENT TOPIC	(Y/N)	ACTION(S) NEEDED TO REDUCE RISKS
<b>CLINICAL RISK</b>		
Formal written policies and procedures address the following issues, among others:		
<ul style="list-style-type: none"> <li>▪ Medication management.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Disclosure of unanticipated outcomes.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Medical device safety.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Prevention of burns, falls and infections.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Informed consent and refusal.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Patient/client scheduling and after-hours care.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Maintaining proper professional boundaries.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Test result management.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Referral processes for patients/clients who require the attention of a specialist.</li> </ul>		
A written, individualized plan of care is developed for each patient/client.		
Staff members participate in annual programs on patient/client safety, risk management, customer and community relations, confidentiality and compliance.		
<b>OPERATIONAL RISK</b>		
A designated risk manager is on staff.		
A system is in place for identifying and tracking medication errors and other incidents.		
A system is in place for identifying and tracking performance issues and patient/client complaints.		
Administrative, operational and disaster preparedness practices are governed by written policies and procedures.		
<b>CUSTOMER DISSATISFACTION RISK</b>		
Staff receives training in telephone etiquette, which includes dealing with angry or dissatisfied patients/clients in a tactful, respectful and non-confrontational manner.		
One specially designated staff member handles patient/client, family and visitor complaints.		
The risk manager is notified of all patient/client, family or visitor complaints.		
All communication regarding patient/client complaints is reviewed by the risk manager.		
<b>INFORMATION TECHNOLOGY RISK</b>		
Formal, written policies and procedures are in place in regard to the following areas, among others:		
<ul style="list-style-type: none"> <li>▪ Medical record management.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Confidentiality and release of medical information.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Maintenance of the medical record, including release, retention and storage.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Social media.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Faxing confidential information.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Electronic medical records.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Use of electronic media.</li> </ul>		

SELF-ASSESSMENT TOPIC	(Y/N)	ACTION(S) NEEDED TO REDUCE RISKS
<b>LEGAL/REGULATORY RISK</b>		
Written, regularly reviewed policies and procedures address the following areas, among others:		
<ul style="list-style-type: none"> <li>▪ HIPAA-related patient/client confidentiality practices and notifications.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Federal and state billing regulatory requirements.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Clinical Laboratory Improvements Act (CLIA) regulations.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Contractual agreements containing hold harmless and/or indemnification clauses.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Terminating the provider-patient/client relationship.</li> </ul>		
<b>FINANCIAL RISK</b>		
Organizational policy dictates that contracts undergo legal review on an annual basis.		
The following areas, among others, are governed by formal, written policies:		
<ul style="list-style-type: none"> <li>▪ Insurance denials.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Patient billing and collections.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Medicare/Medicaid billing.</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Managing payments and accounts.</li> </ul>		



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