

Enterprise Risk Management: The Next Evolutionary Step in Compliance

An Effective Solution Must Be Able to Integrate
Decision Support and Technology with
Experienced Services

With the advent of compliance guidance documents from the Office of Inspector General (OIG), organizations developed compliance guidance, many by just pasting in plans derived from consultants, conferences, and law firms. In some cases, it called to mind “paint by numbers.”

In the last several years it has become apparent that compliance programs have been evolving and that plans and programs without genuine substance just will not cut it. The OIG has been stressing the importance of being able to evidence program effectiveness through aggressive auditing and monitoring of identified high-risk areas, as well as the compliance program itself.

In addition, new compliance expectations have arisen as a result of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy and security rules, the Sarbanes-Oxley Act, research compliance, et cetera. Currently, more and more is being heard about enterprise risk management. This article is designed to speak to this subject.

For the past 15 years, our firm has defined compliance program objectives broadly in terms of reducing the likelihood of unwanted events that could give rise to liability. Certainly, an audit or investigation by the government for legal or regulatory violations would qualify as such an event; however, there are many other types of problems that meet this definition but do not fall within the bailiwick of the OIG, Department of Justice (DOJ), CMS, or other enforcement agencies.

Most of the areas that could give rise to liability are in the operational areas not associated directly with reimbursement or arrangements with those who refer business. For most there are more risks of liability arising



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from human resource issues than OIG issues and more fear of tort litigation than OIG enforcement actions. The fact is that the above definition could easily refer to “risk management.”

The shifting demographics, rapid advancements in technology, soaring costs, and recent historic Medicare legislation all contribute to the potential for a crisis within the U.S. health care system. The unprecedented size of the aging population along with major advances in pharmaceuticals and medical technology are escalating health care costs for both the private sector and government health care programs, creating by far the biggest challenge facing both government and industry.

The continuation and confluence of all these factors will mean more federal health care spending, incredibly soaring budget deficits, and rigorously stepped up scrutiny of the industry. It is not hard to predict that there will be an increase in industry regulation and intense oversight focus on efforts to ferret out fraud, waste, and abuse — before considering legislation to reduce coverage or raise the eligibility age.

In this environment, it will become critical for organizations to find more efficient and proactive means to managing regulatory compliance risks that require early identification and monitoring of all risk areas. As new and more rigorous regulatory standards are enforced by new government contractors such as the Medicare administrative contractors, organizations will be forced to adopt compliance risk management identification and monitoring solutions as part of new business strategies and information technology operations.

This requires a comprehensive compliance risk management solution to manage the various aspects of compliance and detect and prevent fraud and abuse on an enterprise-wide basis. Notwithstanding many who offer a va-

riety of compliance services, there exists a noticeable gap in offerings of total compliance risk management solutions that integrate with an organization's business processes.

Unlike other industries, such as finance and accounting, that have used enterprise risk management in business strategies for years (*e.g.*, Committee of Sponsoring Organizations (COSO) framework), the health care industry's approach to compliance and risk management have typically consisted of *ad hoc* approaches that do not integrate with the vast data that are at the foundation of a health care organization. The enormous array of data within a hospital system, for example, when accessed and processed appropriately can help identify, analyze, prioritize, and monitor risks related to regulatory compliance issues of many different types.

An enterprise compliance risk management solution must be able to integrate decision support and expert technology with experienced compliance management services to assist in identifying compliance risks and managing remediation and mitigation efforts as an enterprise-wide system within the company. It must enable the organization's compliance management to a) identify the universe of potential compliance risks; b) measure the probability and impact of risks with standardized metrics; c) design, implement, and track remediation and mitigation for each compliance risk; d) monitor and report identified risk areas on an ongoing basis with real-time data; and e) continually identify new risks and re-baseline risk management activities to ensure prioritized focus.

For those preparing for the future now with an enterprise-wide risk management compliance program, there is time. For those who wait to invest in this new approach, there will be “future shock” and little time to adjust to expected new increasing compliance demands.

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