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## Healthcare's Risk Management Challenges



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With the fate of the Affordable Care Act and its replacement bill (American Health Care Act) hanging in the balance, this poses a risk to hospitals and other healthcare organisations.

"It's hard to plan around unknowns and the future of both laws is presently uncertain. The risk is that large areas of reimbursement will change and regardless of how they change, they create risk," according to Brad Spielman, vice president and senior credit officer at Moody's Investors Service.

As reimbursement moves away from a fee-for-service model and towards a greater emphasis on value and outcomes, provider organisations need to maintain high clinical quality which will increasingly impact financial performance and reduce risk of brand impairment.

"A hospital's ability to improve quality of care and the patient experience will increasingly impact its financial performance. Furthermore, perceived quality is tied to physician and nursing recruitment, fundraising, and community relationships. The perception of poor quality can have a lasting negative impact on an organisation's brand and significantly hurt profitability," according to a new report from Moody's.

In addition to clinical quality and brand protection, the report says other areas where hospitals face heightened risks include information technology, cybersecurity, and staff recruitment.

Maureen McGovern, director of risk management and patient safety officer for the South Nassau Communities Hospital in Long Island, New York, has noted that cybersecurity is among the most imminent risks. "Not just electronic medical records, but much of our high tech equipment also stores information and we need to make sure they're not hacked and the equipment is compromised," said McGovern, who has worked in risk management for 31 years.

Meanwhile, because more high-acuity patients are coming to hospitals, finding a workforce to support that patient base is growing in importance and poses a looming risk to many hospitals, said Ann Gaffey, president of the risk management consulting firm Healthcare Risk and Safety Strategies of Arlington, Va.

John Sanchez, vice president of compliance and risk management for consulting firm Pendulum, said many hospitals face the daunting task of balancing quality and risk management in the era of value-based payment.

"If hospitals score in the bottom quartile of their peers in the prevalence of hospital-acquired infections, for example, they can be penalised up to 5 percent of their Medicare reimbursements," Sanchez pointed out. "That's a hefty sum that presents large risks to hospital financial viability."

Hospitals that fare better in managing professional liability risk establish strong risk management and patient safety programmes, improve the integrity and quality of documentation efforts, proactively review charts, and improve the training and education of their providers, he said.

In contrast, hospitals that fail to respond appropriately to imminent risks "will be left behind," according to David Petrous, safety and risk manager for Hendricks Regional Health. "While financial risk cannot be entirely identified or eliminated, a properly designed and present enterprise risk management programme can greatly mitigate or minimise exposure."

Source: [Healthcare Financial Management Association](#)

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