

# **Aligning ERM, Strategic Planning, and Board Priority-Setting Processes: Case Study**

April 2016

# Outline

- What is ERM ?
- Current ERM statistics
- Healthcare Information
- Evolution of ERM at VCH
  - Past
  - Present
- Bringing ERM and strategic planning together.....

# What is ERM?

It depends...

On your perspective

# Many Definitions

Actuarial: ERM is the process by which organizations ... monitor risks from all sources for the purpose of **increasing** the organization's short and long term **value** to its **stakeholders**

Canadian Institute of Actuaries RFP of 2015: ERM practices in Canada has lagged many of the other G8 nations

RIMS: ERM is a strategic business discipline that supports the **achievement** of an organization's **objectives** which represents a significant evolution beyond previous approaches to risk management encompassing all areas of an organization and providing a structured process to manage risk

BC OAG: ERM is **integral to the success** of any enterprise. Awareness of potential risks and subsequent proactive planning can mitigate risks, and contribute to efficient and effective programs. Conversely, poor risk management can result in economic loss, loss of life and missed opportunities

Canadian and BC governments: effective management of potential opportunities and adverse effects, integrated and coordinated application of risk management **across** and **through** an organization

# What does/should ERM do?

- Provide a consistent, holistic mechanism to address risk and see opportunity
- Identify where we are most at risk
  - How is the mission/vision being impacted?
  - What are the priorities?
  - What's being done about it?
  - Methodology/ tools /resources ?
- Define risk tolerance
- Provide a basis for allocating our \$XB

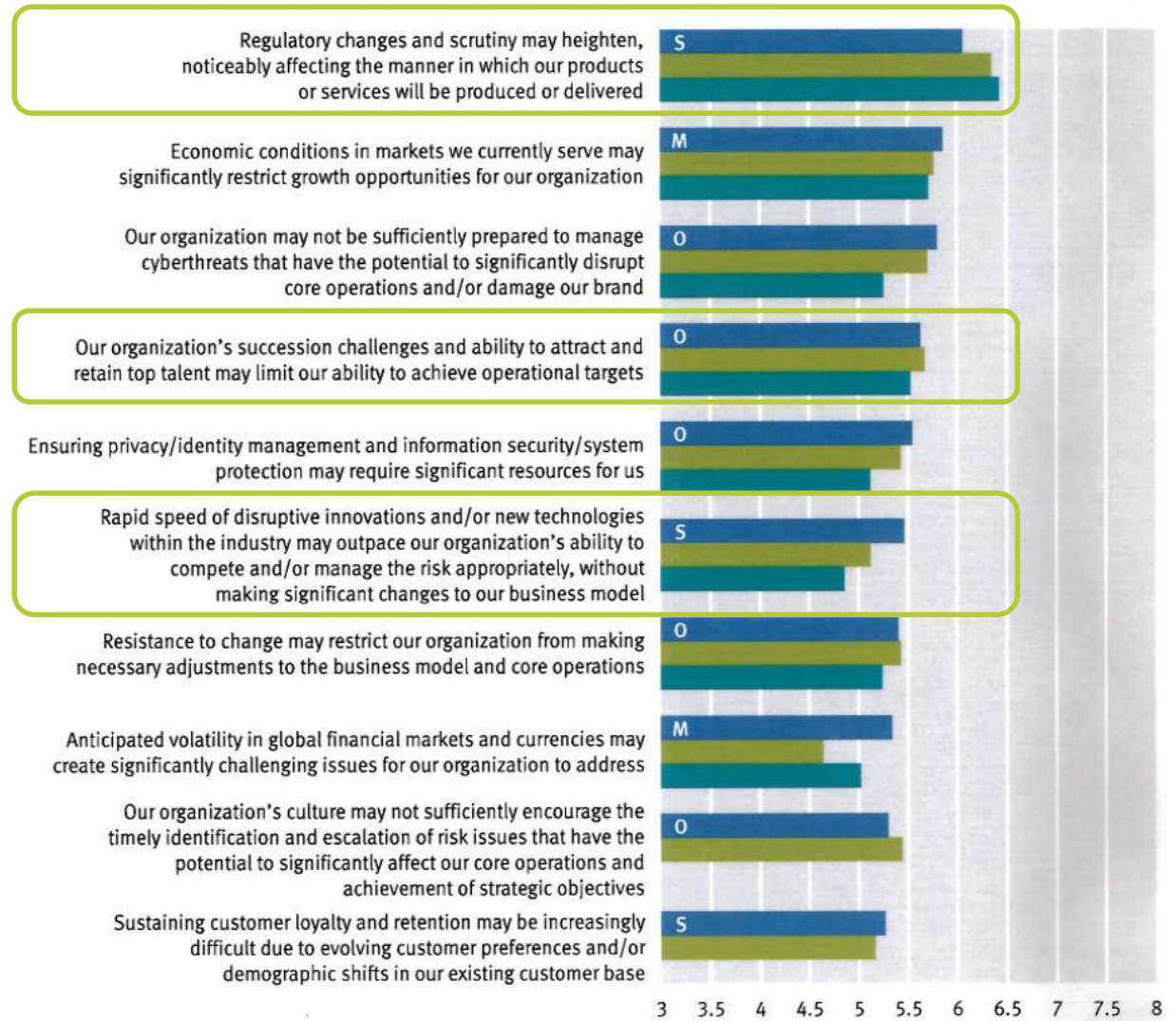
# Current ERM Statistics

2015 Report on the Current State of Enterprise Risk Management from North Carolina State ERM Initiative: Update of Trends and Opportunities:

- 1,100 businesses surveyed in the US
- 59% believe the volume and complexity of risks have changed “extensively”, but only 25% have a formal process
- 50% have no formal update process
- 50% say risks are not considered in strategic planning discussions
- <http://erm.ncsu.edu/library/article/current-state-erm-2015>

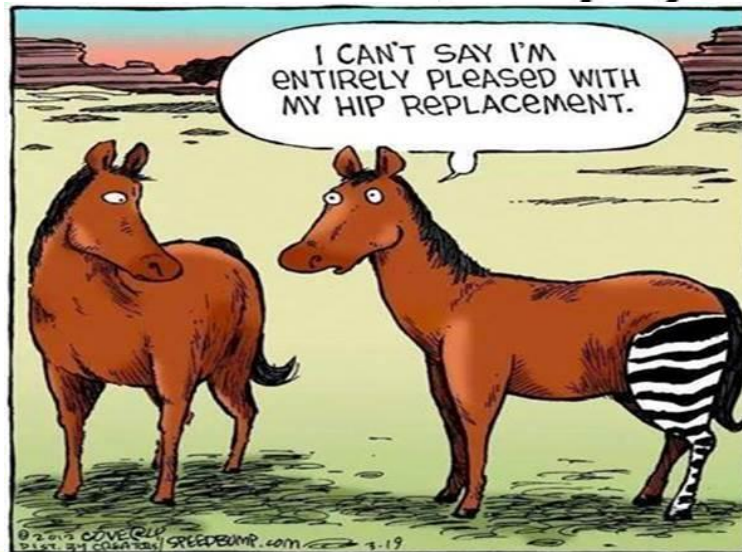
Some overlaps with healthcare ... but not necessarily our top 10

Figure 1: Top 10 Risks for 2016



# Typical Areas for ERM Monitoring

- Earnings
- Capital Adequacy
- Credit
- Adequate Reserves
- Macro-economic threats
- Customer/Vendor complaints
- Board of Director Supervision
- Strategic Planning
- Disaster Recovery Planning
- Policy/practice gaps
- Fraud
- Technology threats
- Cyber Security
- Data Privacy issues
- Compliance Issues
- Political Instability
- Clinical Events
- Etc





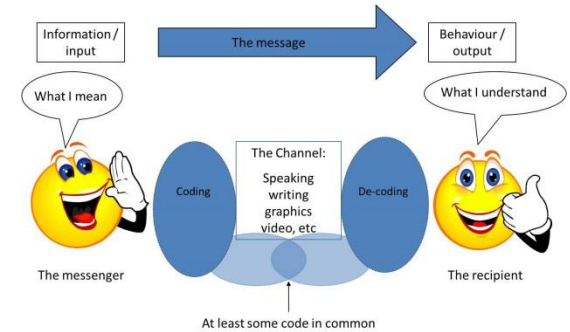
# Realistic ERM Scenario?

- Lack of value-added
- Only baby steps - identify and subjectively rank risks
- No defined risk tolerance/appetite
- Not incorporated in operations
- Siloed/redundant discussions/activities:
  - Risk
  - Strategic Planning
  - Board
  - Etc.
- More this ?....





# And anyway, we're already doing it...



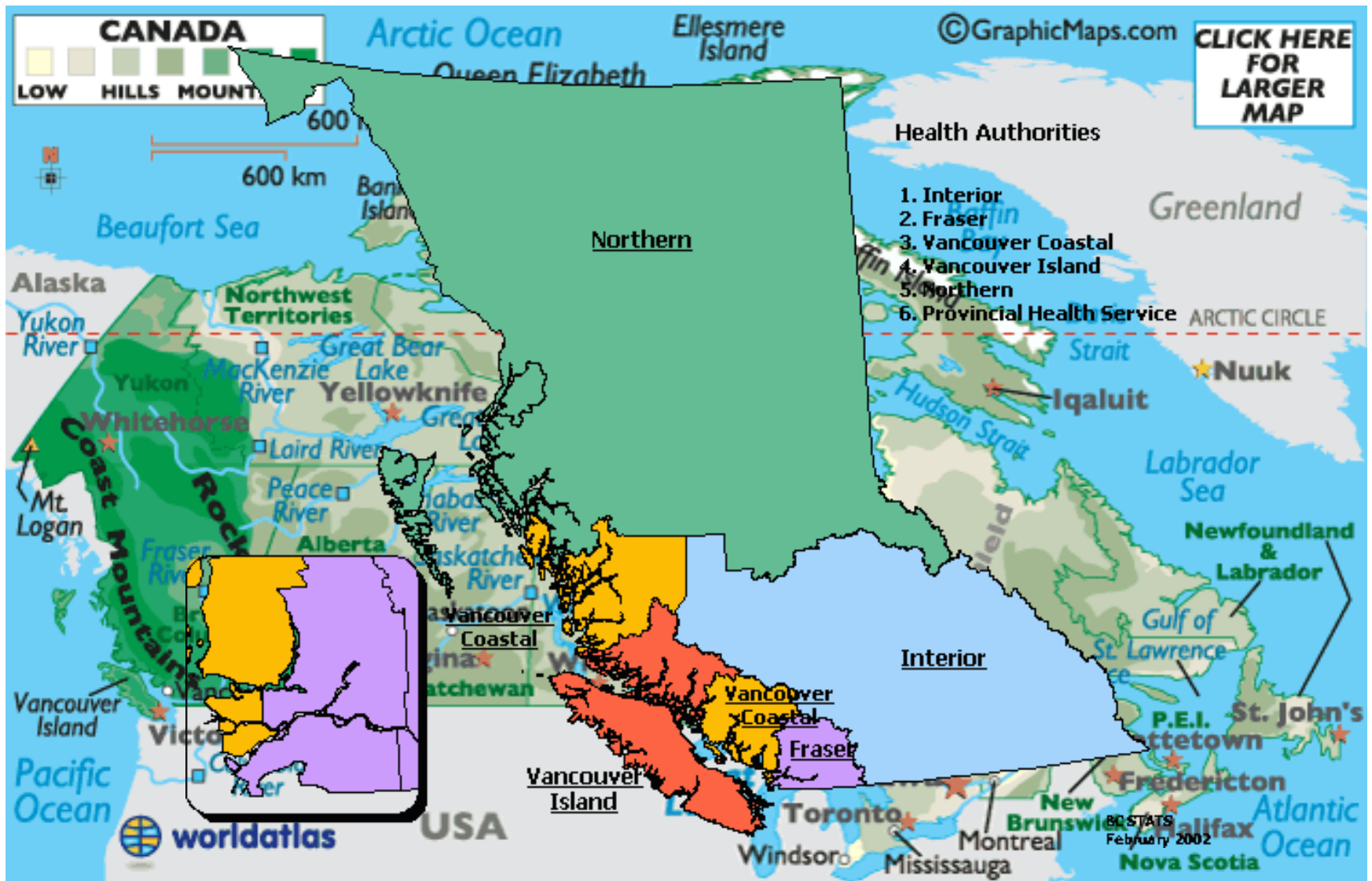
# The Goal of ERM is to take this...



# And turn it into this...



# Canadian Healthcare



# VCH Statistics

The screenshot shows a web browser window displaying the Vancouver Coastal Health website. The address bar shows the URL <http://www.vch.ca/about-us/quick-facts/>. The page features the VCH logo with the tagline "Promoting wellness. Ensuring care." and a navigation menu with options like Home, Media, Careers, Compliments & Complaints, and Contact Us. A search bar is also present. The main content area is titled "Quick Facts" and includes a sub-header "Snapshot of Vancouver Coastal Health" and a photograph of a person taking a picture with a camera. Below the photo, there is text describing the organization's service area and a section titled "Who we serve" which states that they serve 25% of BC's population, including residents of Vancouver, Richmond, the North Shore and Coast Garibaldi, Sea-to-Sky, Sunshine Coast, Powell River, Bella Bella, and Bella Coola. A sidebar on the left contains a list of navigation links, with "Quick Facts" highlighted. The Windows taskbar at the bottom shows various application icons and the system clock indicating 8:05 AM on 3/21/2016.

**Vancouver Coastal Health**  
Promoting wellness. Ensuring care.

Home | Media | Careers | Compliments & Complaints | Contact Us

Search [ ] Entire Site [v]

HOME LOCATIONS & SERVICES YOUR HEALTH YOUR ENVIRONMENT YOUR STAY GET INVOLVED CAREERS ABOUT US

HOME / ABOUT US / QUICK FACTS

**ABOUT US**

- Media Centre
- Quick Facts**
- Leadership
- Strategy
- Accountability
- Development Projects
- News
- Awards & Recognition
- Information Requests
- Compliments & Complaints
- Contact Us

## Quick Facts

SHARE

### Snapshot of Vancouver Coastal Health



The numbers below provide a brief snapshot of Vancouver Coastal Health.

#### Who we serve

We serve 25% of BC's population, that's over 1 million people including the residents of Vancouver, Richmond, the North Shore and Coast Garibaldi, Sea-to-Sky, Sunshine Coast, Powell River, Bella Bella and Bella Coola.

#### Our people

# VCH Statistics

- VCH serves 25% of the BC population (1 M people)
- VCH has 13,000 staff (F/T + P/T), and 2,100 physicians
- Each year we:
  - Receive \$3.4 billion in funding
  - Provide 3 million+ patient days of care
  - See 356,000+ people in our EDs (one person every two minutes)
  - See 845,000+ visits to our clinics
  - Provide 89,000+ same day surgical visits
  - Conduct 82,000+ inpatient discharges
  - Provide 2.3 million+ residential care days
  - Provide 1.9 million+ home support hours
  - Provide 199,000+ home nursing visits
- Each day:
  - 5 life or threatened organ cases
  - 316 surgery patients in our ORs
  - 175 people in the community for occupational or physical therapy
  - 891 home care nursing visits
  - 6,240 residential care clients
  - 891 assisted living tenants

# ERM at VCH - Past



# VCH ERM Scope

- ERM principal activities:
  - Cross-organization communication vehicle
  - **Annual+ ERM Reports** & updates
  - **Project based risk assessments** & advice
  - Guide for resource allocation
- VCH ERM does not:
  - Buy insurance—covered by the BC Health Care Protection Plan (HCPP)
  - Create the risks
  - Make the risks go away
  - Handle client/medical complaints (managed by Client Relations & Risk Management)
  - Manage medical malpractice claims

# Prior Process for Updating Risk Register

- The risk register was a compilation of individual leader views of 'their' risks
- The complete register was then reviewed with the whole SET
- That result was considered draft, and presented to the Board for feedback
- So – true beginning state:
  - SET and Board communication tool only
  - Pieces scattered across the organization
  - Subjective identification and rating



# How does it Work Elsewhere in Healthcare ?

## Two Examples...

# ERM at BC Lower Mainland Facilities Management

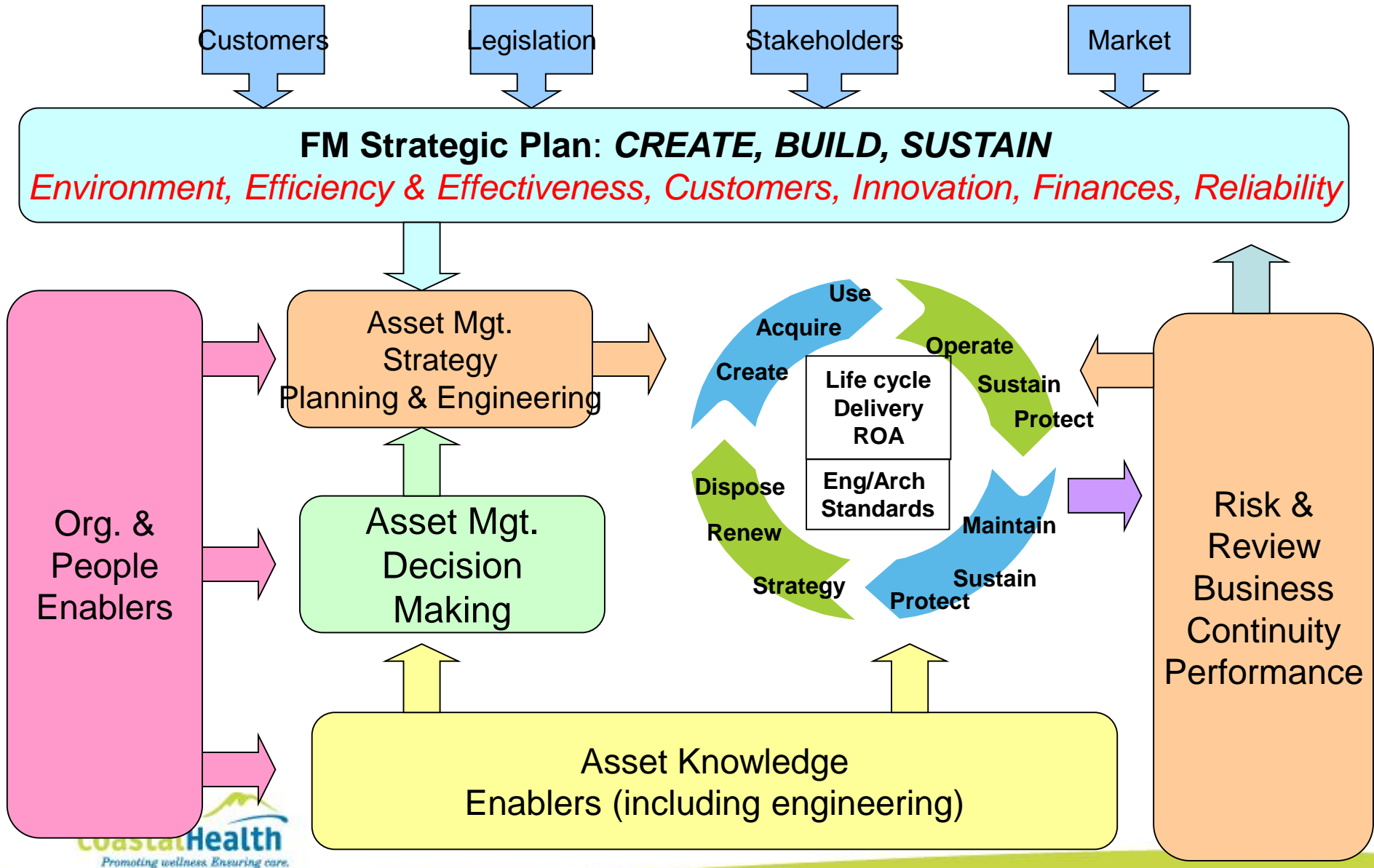
- LMFM provides services to LM HAs:
  - Facilities Maintenance / Operations, Facilities Planning, Real Estate, Capital Projects, Energy / Environmental Sustainability, support for Public, Private, Partnerships
- over 700 staff, 20 million square feet of building space, and \$1.3 Billion in capital projects
- Fully integrated ERM that drives resource allocation
- Significant investment in Resolver

# LMFM – How they got there...

- Had to answer questions:
  - Why were we doing what we were doing?
  - Why were resources allocated the way they were?
  - Is there waste in the system?
  - Are stakeholders engaged in the holistic risk environment?
  - Are we doing our jobs to protect the public asset in support of our mission/vision?

*It is the new normal...expected by Government, Peers, and Stakeholders....*

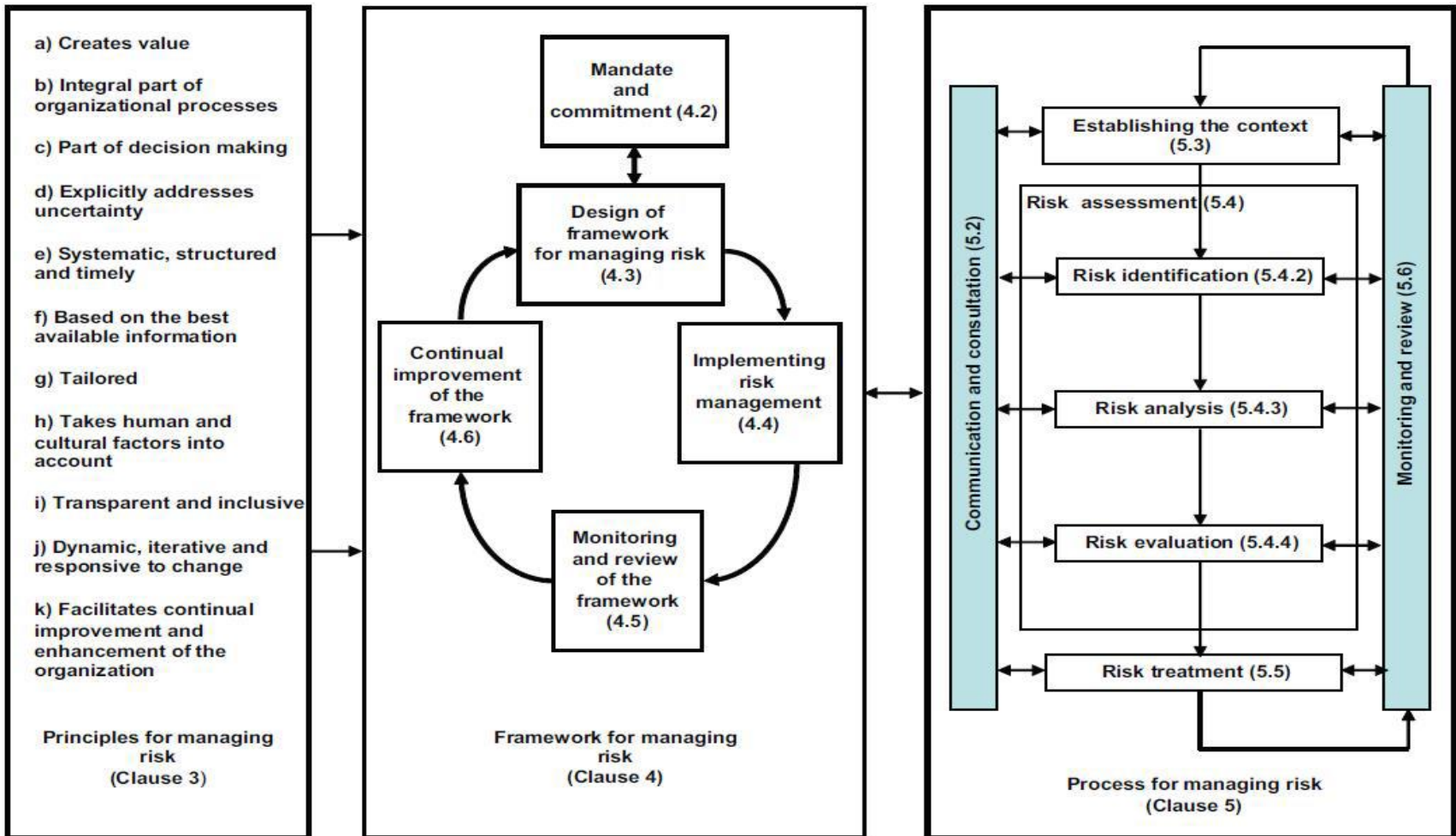
# LMFM Model



# ERM at Alberta Health Services

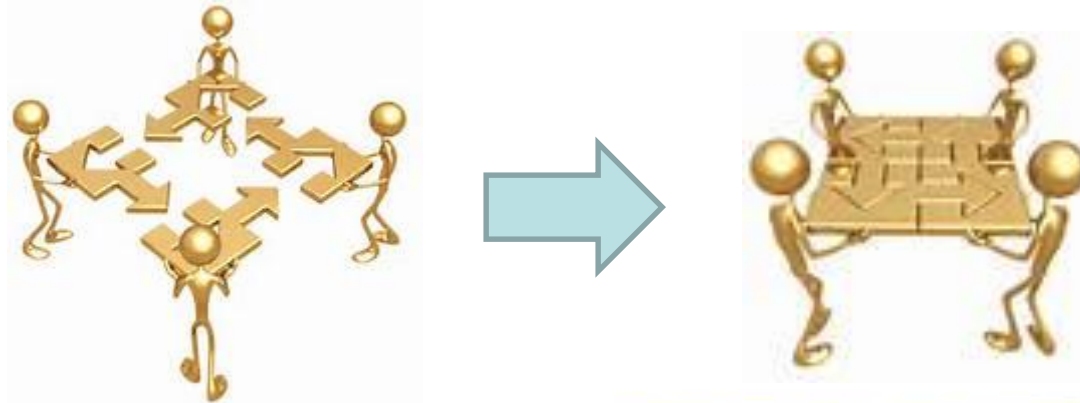
- Alberta Health Services
  - formed in 2008
  - Serves population of 4M
  - 104,000 staff, \$14B budget
  - ERM program based in MS Word
- 5 key benefits from ERM identified:
  - Increased consistency and communication of risks across the organization
  - Enhanced reporting and analysis of strategic risks (risk metrics)
  - Improved focus, attention and perspective to overall organizational risks
  - More efficient and effective activities related to regulatory, compliance and audit matters

# AB – ERM Process Model





- To realize the true potential of ERM:
  - Holistic communication tool – top/down and across
  - Integrate throughout the organization
  - Basis for resource allocation
  - Basis for strategic planning
  - Improve operational effectiveness and efficiency
  - Demonstrate value-add



# But How to Get There?

- Determine what the organization wants/needs
  - Is RM enough (i.e. no 'E') ?
- Different views about ERM – leverage the useful bits of each as they align with needs
- Executive support
- Use levers
  - Operational leaders →
  - Others' approaches
  - Sector Specific
- As LMFM, AB, and others have demonstrated, there is demonstrable value...



# Evolution of ERM at VCH – Getting to the Present

# Key Changes to Start

- Align with Canadian and BC governments
  - Name Change - from Integrated to Enterprise Risk Management
  - Tools - Adopt ISO 31000 Framework and Templates
- Use CAN/CSA 31000: Risk Management Principles and Guidelines
  - The Government of British Columbia (MoF) has adopted this methodology as the framework for strategic and operational decision-making and will guide the entire BC public sector to implement it as appropriate

# ERM Tools and Process Improvements

# Tools - Adopt the ISO 31000 Risk Register Template

- Initial fields almost identical to previous:
  - Identify
    - Risk ID Number
    - Risk Name
    - Board cttee
    - Category
    - Related Risks
    - Documents
    - Description
    - Existing Controls
  - Evaluation
    - Assessment of Existing controls
    - Consequence
    - Likelihood
    - Risk Priority
- New fields to stress actions and reviews:
  - Treatment/Action Plan
    - **Action**
    - Action Type
    - Responsibility
    - By When
    - Residual Risk Rating
  - Monitoring
    - **Key Risk Indicators**
    - Reporting/Monitoring
  - Ongoing Reviews
    - Last Reviewed
    - Review Frequency
    - Next Review Due
    - **Responsibility**

# 2015 Process Improvements

- Changed risk register language - more **purposeful phrasing** to ensure they are meaningful with a view to action
- Identified relationships between risks, and where mitigating action could mitigate several at once
  - E.g. Large projects are undertaken to mitigate risks, but also create risks...
- Be mindful of: ongoing vs. project risks, symptoms vs. causes, level of understanding, and short/long term mitigation strategies, and strategic risks

# 2015 Process Improvements for Updating Risk Register

- For 2015, interactive group sessions were held with a broad cross-section of VCH leaders, including SET members and/or their senior staff
  - This group became a risk committee – ERMC - where regular, fulsome discussions are held and has resulted in:
    - High engagement and ownership
    - Spirited and healthy debate

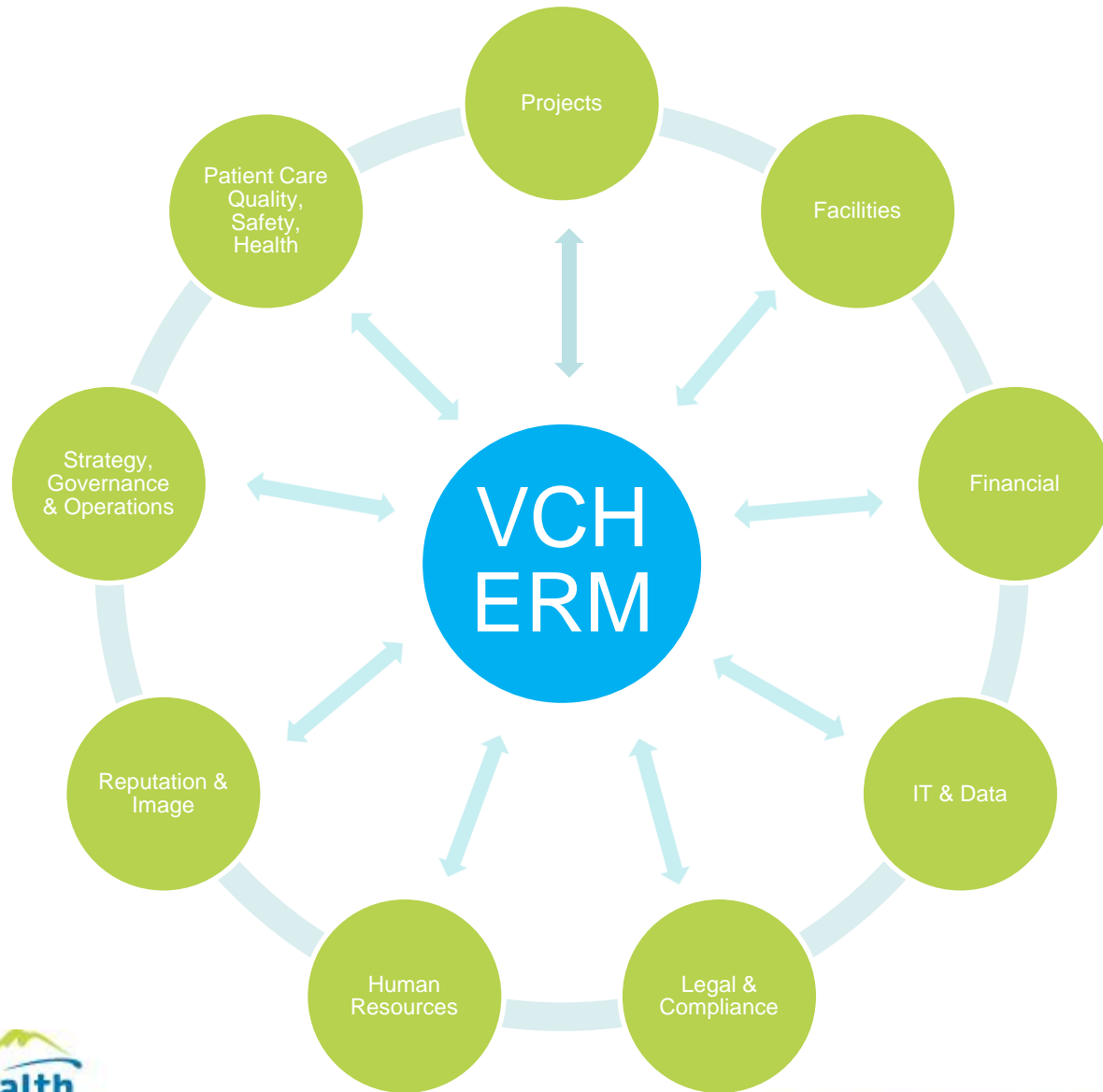
This group is to meet at least twice per year with as-needed communication between meetings



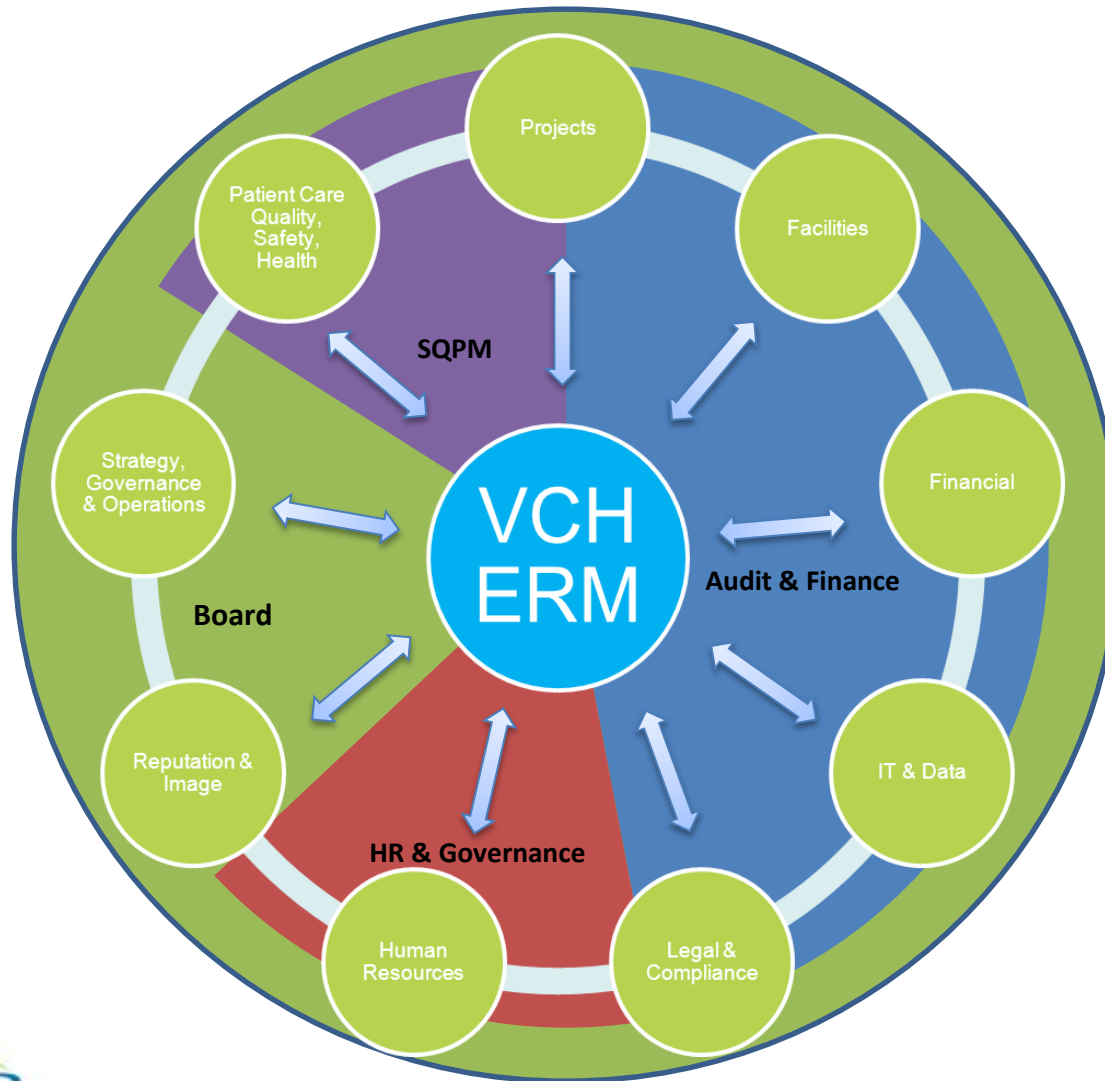
# Risk Category Improvements

Health Care Delivery and Support Risk	Resource Risk	Community Risk
Quality Care, Safety & Health	Human Resources & Staff Relations	Environmental Health & Safety
Corporate Governance & Strategic Development <b>Combined</b> Operations & Business Support	Financial	Legal & Regulatory <b>New Name: Legal &amp; Compliance</b>
Reputation & Public Image	Information, Systems & Technology <b>New Name: IT &amp; Data</b>	<del>Projects</del>
	Physical Assets <b>New Name: Facilities</b>	<del>Start-ups</del>
		<b>New</b> Projects

# 2015: Risk Categories as a 'Wheel'

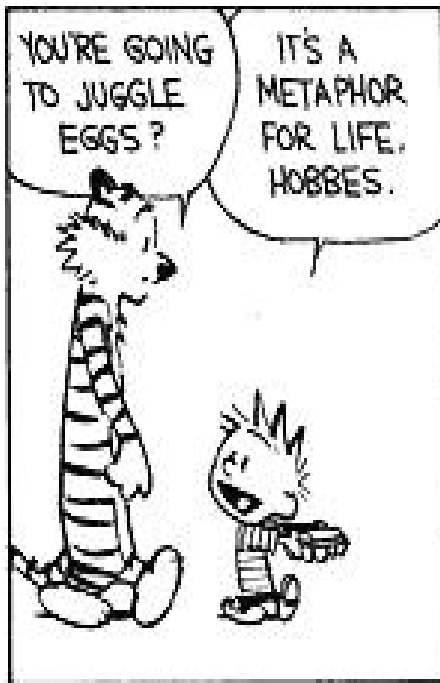


# Risk Categories Mapped to Board Committees



- So – current state:
  - Holistic communication tool – top/down and across
  - Improved operational effectiveness and efficiency due to the conversations
  - Demonstrated value-add
  - Integrated throughout the organization – almost...
  - Basis for resource allocation – kinda...

# **ERM at VCH – Bringing ERM and Strategic Planning Together**



EACH EGG REPRESENTS ONE OF LIFE'S CONCERNS AND THE GOAL IS TO GIVE EACH THE APPROPRIATE AMOUNT OF INDIVIDUAL ATTENTION WHILE SIMULTANEOUSLY WATCHING AND GUIDING ALL THE OTHERS.



# Linking ERM and Strategic Planning

- ERM includes strategic planning leads
- ERM noted potential usefulness of linking the two processes
- Mapping of risk and strategic planning items with a gap analysis
  - Explicitly incorporated in the risk register...

# Further Process Improvements

- After risks and strategies were linked, requested to also link with Board Priority items
  - Changed Board presentation submission template requiring sections including organization risk discussion
  - Some Board committees still need ToRs translated into priorities
  - Thus, we then had linkages between ERM/ strategic planning/ Board priorities
- Then, requested to also link with Corporate Policies
- Then, requested to also link with IA recommendations and idea list

Thus, we now have linkages between ERM/ strategic planning/ Board priorities / policies / IA



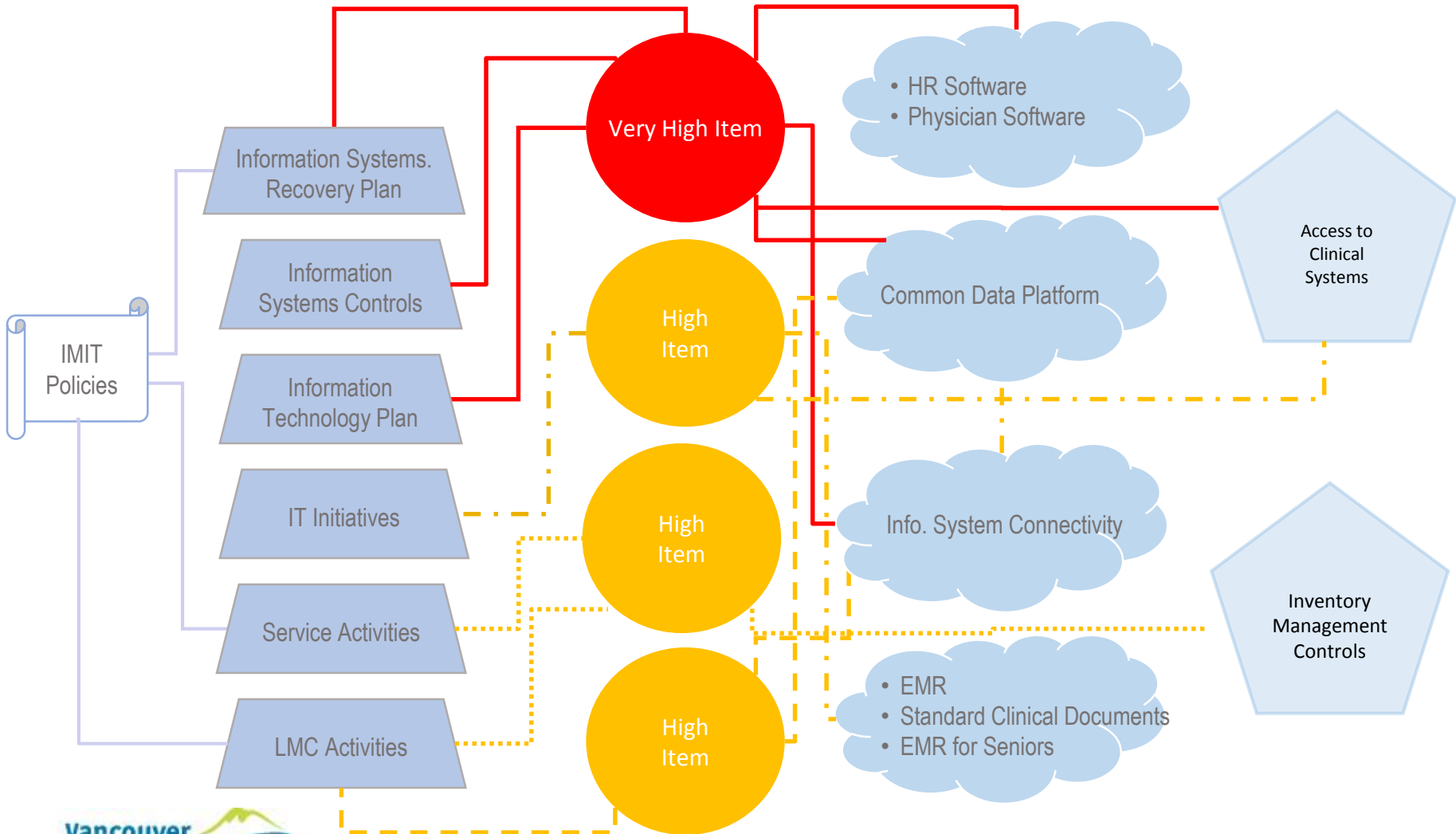
# INFORMATION TECHNOLOGY & DATA RISK CATEGORY

POLICY

BOARD OF DIRECTORS'  
CHECKLIST

STRATEGY

INTERNAL AUDIT



# THANKS !

# WHAT'S YOUR EXPERIENCE?

## Q&A

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