

## BASIC PRINCIPLES OF RISK MANAGEMENT

Every healthcare organization, no matter how small or specialized, should be aware of its risk situation and take appropriate measures to protect itself against clinical, financial and operational exposures. This issue will examine core concepts of risk management and discuss how risk management strategies can be integrated into the day-to-day functions of your organization.

Future issues will address more advanced principles, including the enterprise risk management model, which merges clinical management with an enterprise-wide process to identify, mitigate and finance risks involving human capital, strategic growth, regulations and technology.

### The Risk Management Program

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

- declares your organization's goals
- describes the program's scope, components and methods
- delegates responsibility for implementation and enforcement
- demonstrates commitment by the board
- delivers guarantees of confidentiality and immunity from retaliation for those who report sensitive information

The risk management program must be clearly communicated to all staff members, so that they understand its basic elements and



goals. While certain aspects are common to many programs, others will address your organization's unique confluence of liability issues. The process of creating a program, therefore, involves research into your specific exposures as well as the use of general, industry-wide resources, some of which are described at the end of this issue.

The risk management program assembles the various tools used to collect and analyze pertinent data. This information is then analyzed with the intent of improving your organization's risk posture.

### Identifying Risks

**Incident.** You cannot manage risk until you have a system in place for identifying and tracking unusual events that occur in your facility. The most common method for keeping tabs on incidents is the incident report form. This is a standardized format that enables staff members to document in a clear, concise and consistent manner any events they witness that deviate from routine care.

The form captures relevant, objective information regarding the event and surrounding circumstances. It also expedites notification of management that a potentially serious and potentially litigious event has occurred.

The form facilitates the entry of data into a computer database designed to track and trend events. By analyzing data according to type of event, time of day, unit and department, you can identify where and when problems tend to originate, and the staffing, training and clinical issues that must be addressed. Incidents should be categorized both by frequency – i.e., the number of times an event occurs – and by severity, i.e., the event's seriousness and potential impact.

Your organization should establish clear, detailed policies addressing these incident-reporting questions:

- Who is authorized to complete an incident report form?
- Who is required to review the report upon completion?
- What immediate actions are to be taken to minimize the effects of the event?
- Who is responsible for follow-up?
- How is the aftermath of the event monitored?
- How are completed forms secured and where are they stored?

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**Satisfaction surveys** are an important means of locating problem areas before they develop into full-fledged incidents or claims. Taking the initiative to increase patient satisfaction can help defuse anger about service and communication lapses and minimize the severity of potential legal action. Surveys should be brief – perhaps eight to ten multiple-choice questions with space for comments – and should be given to patients in waiting rooms or mailed to them after discharge. As with incident reports, survey results should be tracked and analyzed.

It is also essential to survey the opinions and satisfaction levels of employees and practitioners. This creates a channel of constructive communication, which can serve as an early-warning system and also help bolster morale.

**Complaints** are a key type of input that require individualized responses and careful tracking to indicate areas requiring improvement. Your risk management program should address the following issues:

- Who is notified after a complaint is received?
- Who is charged with responding to the complaint?
- Who is responsible for monitoring follow-up and resolution of complaints?

### Taking Action

Managing risk involves using the information provided through incident reporting and other feedback to drive these five basic initiatives:

**Prevention** encompasses proactive risk awareness and safety programs for patients, employees and

medical staff. The goal is to ensure that these audiences have at least a basic understanding of existing risks and how they can help protect themselves and others.

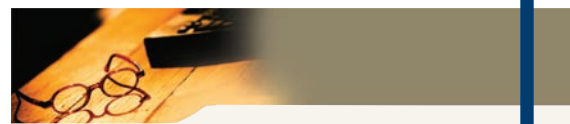
**Correction** involves post-incident remedial actions to minimize the impact of the event and to prevent future similar occurrences. The corrective steps must be monitored and audited to assess their effectiveness.

**Documentation** is central to legal defense in the event of a claim. Medical records must be thorough and complete. In addition, institutional practices and policies should be carefully promulgated and recorded.

**Education** requires engaging staff through creative and meaningful in-service seminars given at orientation and, minimally, at annual intervals thereafter. The training should include both an overview of the risk management process and a detailed treatment of other legally required topics. The educational sessions should clearly explain what constitutes an incident, the incident reporting process and the importance of objective incident documentation.

**Departmental coordination** is essential, as effective risk-reducing policies and procedures cross organizational boundaries. The aim is to create an overall risk management framework that encourages department managers to work together toward the common goal of improved patient and staff safety.

To learn more about the principles of risk management, consult *The Risk Management Handbook*, from the American Society for Healthcare Risk Management (<http://www.ashrm.org/ashrm/resources/products.html>).



## Establishing a Risk Management Plan

Nurses Service Organization (NSO) and CNA, the underwriter of your professional liability insurance policy, consider risk management an integral component of a healthcare firm's standard business practice. In fact, we strongly recommend that all healthcare practices maintain a written policies and procedures manual that includes risk management. Preparing a risk management plan can help prevent errors by identifying risk areas in a practice prior to an incident, and can help ensure that necessary measures are taken to reduce the possibility of recurrence.

If you don't already have a plan in place, or you need to improve upon your plan, then NSO can help by providing you with a sample risk management plan. The CNA HealthPro Risk Control Team developed a guide that can be tailored for use by any facility. We encourage you to use this as a template to create a risk management plan that best meets the unique characteristics of your individual practice.

To order a complimentary copy of the Sample Risk Management Plan, go to [www.nso.com/register](http://www.nso.com/register), complete the on-line form, and we will email you a copy of the template. If you have any questions about the plan, please call us 1-888-288-3534.

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