



RISK NOTE

SUBJECT: Risk Management Process

This Risk Note is intended to provide an introduction to the risk management process. Most Health Care Agencies (HCAs) will have their own Enterprise Risk Management Guidelines. If employees are not aware of the guidelines their organizations have in place, the HCA's risk manager or chief risk officer should be contacted. The framework, definitions and risk ratings may vary from HCA to HCA, but essentially the overall process is the same.

Risk management is a structured and disciplined approach to managing risk in the achievement of organizational goals. Risk management is not about eliminating or avoiding risk, but rather understanding risk and managing it effectively. Risk is the chance of something happening that will impact on objectives. It is important to remember that risk has two components, threat and opportunity. If risk is avoided because the threat seems too great the inherent opportunities are missed. Risk management is identifying and managing both threat and opportunity in a way that best meets the organizational objectives. HCAPP recommends that risk management be integrated into all activities, not done as a separate process.

The complexity of a risk analysis will be dependent upon the size and scope of the subject under review. A smaller undertaking may require only a quick review of the potential risks whereas a large project could result in the analysis of dozens of risks.

The risk management process is comprised of five phases that can be applied to risks and enables continual improvement in decision making. The risk assessment can be captured within a single document, known as a risk register (Appendix 1). To illustrate the process fully we have taken one risk example and illustrated it within each phase of the process and documented the process in the attached risk register. No matter which process the HCA chooses to analyze their risks it must be consistently applied throughout the organization, including the development of an adaptable and flexible risk register, a risk matrix and definitions.

The critical elements of communication and consultation should not be seen as an

individual step. These elements should permeate throughout the entire risk management process.

Communicate and Consult

Consultation and communication are key to the success of the risk management process. At every phase, it is important to engage all those involved, from stakeholders to HCA staff. Decisions should be developed in concert with those who understand the risks and are best able to identify and manage them.

Communication is a two way street and it is important to remember that while risk reporting should go up to higher levels, executive decisions regarding tolerance and treatment choices should also be communicated back down to the relevant HCA business unit level.

An up to date risk register captures the HCA's strategies and decisions and clarifies individual roles and responsibilities in one document. This makes it an effective tool to be used for sharing and communicating throughout the range of risk management activities.

Phase One: Establish the Context

The objectives and goals of the HCA, project or activity must first be identified to ensure that all significant risks are understood by establishing the context and subject of the risk assessment. This ensures that risk decisions always support the broader goals and objectives of the HCA. When establishing the context, it is important to examine the relationship that the HCA has with relevant stakeholders. It is imperative to include all relevant stakeholders when establishing the context because risks vary depending on the perspective from which they are viewed. For example, different risks will be identified when viewed from such varying perspectives as patient safety, regulatory, environment, reputation or finance. The context also needs to establish the timeframe, if any, to be considered.

This approach encourages long-term and strategic thinking. Spending the time to be clear in this phase will ensure that participants understand the goals of the risk assessment and allow the remainder of the risk management process to be more efficient and effective. The agreed upon context forms the basis for risk identification and analysis.

Example: Hospital Z is considering installing hand sanitizers in all patient rooms for a trial period of six months. Hospital Z has identified its primary goals and objectives as: delivering safe patient care; meeting accreditation standards for infection control; ensuring fiscal responsibility; and providing a safe environment for staff, patients and visitors. Installing hand sanitizers aligns with the above organizational goals but will only be effective if regularly used. For the purposes of this example the subject of risk analysis has been narrowed to the uptake of the hand sanitizer program. The stakeholders have been identified as Patient Safety, Infection Control, Facilities

Management, Procurement, Occupational Health and Safety, and Human Resources.

Phase Two: Risk Identification

This phase involves an identification of the risks to the HCA related to the subject of the risk assessment. Some risks may be easily identified where a loss has occurred. Participants, including stakeholders, must also consider potential risks. Answering the following questions will assist in identifying risks: What can happen? How could it happen? Why would it happen?

To assist in identification of all risks it may be helpful to use standard categories of risk such as property, finance, patient safety, personnel, liability and regulatory compliance. Then consider what risks may be associated with each category. A risk category is the first column on a risk register. Risk categories can be used during the risk identification process as a trigger for identification or added later to group similar risks together. It becomes an important sorting feature on a completed risk register. Categorization prior to the assessment may limit brainstorming and participants should be encouraged to think outside the categories to ensure a broad spectrum of risk is captured.

Once all the potential risks have been identified, the HCA should analyze the *cause* of the risk (column three). Causes are the associated sources and triggers that might lead to the risk event. Next, the HCA should consider the *impact* on the HCAs objectives and goals if the risk materializes (column four).

Example: Hospital Z conducted an assessment of the risks associated with installing hand sanitizers in all patient rooms in relation to their identified goals and objectives. Under the risk category of regulatory compliance many risks were identified, including the failure of staff to use the hand sanitizers in accordance with the new hospital policy. This risk event would be added to the second column of the risk register.

Phase Three: Analyze Risks

Risk analysis involves the assessment of possible consequences (also referred to as severity or impact) of an event and the likelihood (also referred to as probability or possibility) of that event occurring. When assessing the likelihood of an event, it is important to consider the timeframe established in the context.

Since risks are measured against an organization's objectives, the risks that are most significant to a HCA will be those that interfere with their achievement of a goal. One method of presenting your findings is to utilize a matrix as shown in the table below. Likelihood is expressed on a scale from 1-5 with a rating of 1 representing a rare event. A rating of 5 means the event is expected to occur in most circumstances. Consequence is expressed on its own scale with a rating of 1 depicting an insignificant event, one with negligible effects. A rating of 5 means a catastrophic event, one whereby the project or program would be irrevocably finished. The descriptors within the ranges of likelihood and consequence are dependent upon the goals and objectives of the HCA.

LIKELIHOOD (probability or possibility)	Almost Certain (5)	LOW	MEDIUM	HIGH	EXTREME	EXTREME
	Likely (4)	LOW	MEDIUM	HIGH	HIGH	EXTREME
	Possible (3)	LOW	MEDIUM	MEDIUM	HIGH	HIGH
	Unlikely (2)	LOW	LOW	MEDIUM	MEDIUM	MEDIUM
	Rare (1)	LOW	LOW	LOW	LOW	LOW
		Insignificant (1)	Minor (2)	Significant (3)	Major (4)	Catastrophic (5)
	CONSEQUENCE (severity or impact)					

When rating the risks it is critical to consider the existing controls that are currently in place to limit the likelihood and the consequence of the event occurring. The result is an initial risk rating – the risk as it exists without any further mitigation. Column five of the risk register outlines any existing mitigations or controls that are in place, column six and seven rate the likelihood and consequence of the risk accordingly and column eight generates the initial risk rating (L x C).

Example: The installation of the hand sanitizers is a new initiative and as such the existing mitigations/controls are limited. Hospital Z has identified staff awareness of infection issues, their willingness to improve infection controls as well as a planned hand washing education campaign as the only controls in force. Considering these controls, Hospital Z has done a risk analysis and determined that the failure of staff to use the hand sanitizers installed in patient rooms should be assigned a “likely” rating with respect to likelihood (defined by Hospital Z as an event that is likely to occur at sometime during the 6 month period).

While there are many consequences, all stakeholders agree that if staff do not utilize the new hand sanitizers, the program will be unsuccessful. Any financial resources associated with the program will have been spent unnecessarily to the detriment of other possible initiatives that Hospital Z could have implemented in its place. Hospital Z has assigned a “major” impact rating to this risk because if staff do not utilize the hand sanitizers, a fundamental rework would be necessary before objectives can be met. The combination of the likelihood rating and consequence rating result in a “high” initial risk rating score.

Phase Four: Evaluate Risks

Risk evaluation considers the ranked risk in relation to the existing mitigations/controls that the HCA has in place as well as the HCA's tolerance for the particular risk in question. Risk tolerance is the organization's willingness to accept a level of risk and often determines whether resources will be expended to treat the identified risk. In this phase, the HCA determines the adequacy of the existing mitigations/controls. They will be described in column nine of the risk register as non-existent, weak, adequate, robust or excessive. The HCA will also determine whether risks are acceptable; require treatment, or whether they should be avoided altogether. The HCA may determine that it is willing to accept some risks more than others. For example, a risk may be accepted by the HCA without treatment if the cost of treatment is greater than the risk itself or if the benefits outweigh the threat. Other risks may require treatment because the HCA is not comfortable with the level of risk posed. While the tendency may be to try to avoid significant risks, this is usually only possible by not undertaking the activity. The result of a risk evaluation is a decision on how to proceed with each risk: accept, treat, monitor, transfer, avoid. An organization's risk tolerance is captured under column ten of the risk register.

Example: Given that the risk of staff not using the newly installed hand sanitizers was given a "high" initial risk rating score, Hospital Z has decided to treat this risk rather than accept it. Avoiding the risk is not an option for Hospital Z because the hand sanitizers will ultimately form an integral part of the overall infection control program. Hospital Z will develop strategies which they anticipate will result in increased use of hand sanitizers by staff.

Phase Five: Treat the Risks

Risk treatment involves considering options for treating risks. These options, known as additional mitigation strategies, are recorded in column eleven of the risk register. Treating or controlling risks is also known as risk control or mitigation. The objective is to either reduce the likelihood of an adverse event occurring or to reduce or eliminate a negative consequence. The HCA must systematically consider options to manage risk such as: Is it possible to transfer risk through a contractual process or other means? What is the cost of risk transfer - is the risk better retained within the HCA? Is it possible to reduce exposure to loss (either the likelihood or the consequence) through other risk mitigation measures? What techniques are being used by other HCAs in similar circumstances?

Once a list of possible additional mitigation strategies has been generated, the "best method(s)" for managing the particular exposure is then selected and implemented through appropriate processes and channels. A fundamental consideration in this step is that the chosen technique be efficient. The cost to mitigate the risk either in time, money or resources, should not outweigh the benefit obtained. The HCA's process for selecting the "best method(s)" will include financial, legal and social responsibility considerations.

Once the HCA has committed to any additional mitigation strategies each risk should be rated again considering the effect these additional mitigation strategies will have on likelihood and consequence (columns twelve and thirteen on the risk register). The result is a target risk rating score (column fourteen on the risk register).

Example: Ensuring hand sanitizers are installed close to doorways for easy access by staff, implementing the education campaign, and installing signage close to hand sanitizers have been identified by Hospital Z as “best methods”. With these additional mitigation strategies in mind the risk was rated again and produced a “medium” target risk rating score.

Monitor and Review the Risk Management Program

Similar to communication and consultation, monitoring and reviewing is essential and ongoing throughout the risk management process. The HCA should have a plan depicting the chosen strategy for treatment of each identified risk. Such a plan provides valuable information about the risk identified, the level of risk, the planned strategy, timeframe for implementing the strategy, resources required and individuals responsible for ensuring the strategy is implemented. The risk register is a good tool to capture much of this information. It's easy to see how a risk register can inform a work plan. Columns can be added to provide space where the HCA can indicate who will be responsible for managing each strategy (the risk owner) as well as the timeframe in which each strategy will be implemented (the due date).

The HCA must continuously monitor risks and review the effectiveness of the mitigation strategies that have been selected. Very few risks will remain static - therefore the risk management process needs to be ongoing. This ensures that the HCA is able to adequately respond to new risks that have developed, identify existing risks that have become more significant, and adopt different techniques that may become more appropriate over time. The world is ever changing; the environment, demographics, legislation, public opinion and technology are only few examples of why it is so important for the HCA's to regularly reevaluate their progress and decisions.

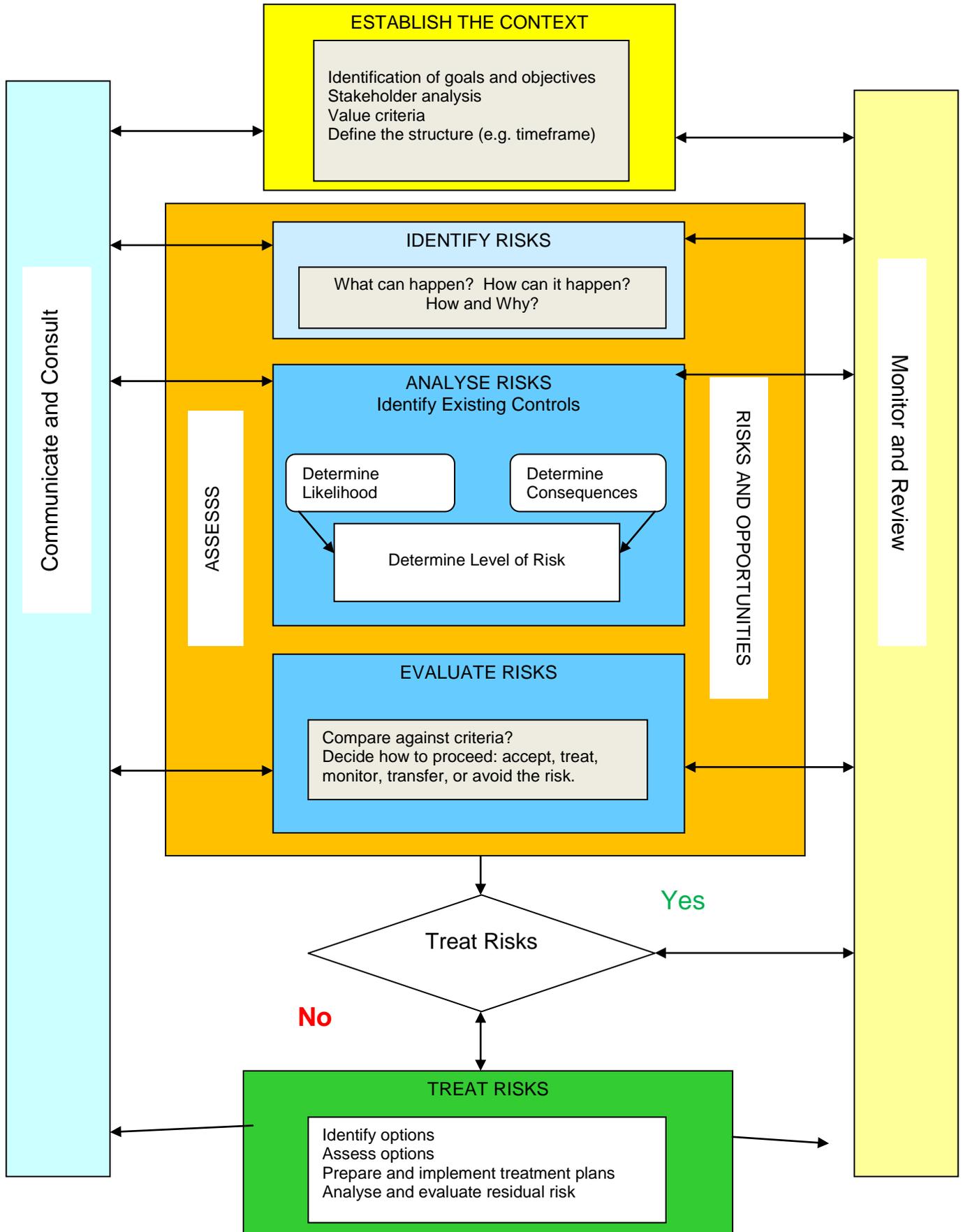
Example: Hospital Z went through the risk management process in anticipation of installing hand sanitizers in all patient rooms. The risks associated with this initiative were captured on a risk register. The additional mitigation strategies that Hospital Z came up with have not been tested so it is very important that these strategies are closely monitored throughout the 6 month trial period. It could be that their plan to install the hand sanitizers beside the doorway creates other risks or impacts to the organization that will need to be addressed. For example, the hand sanitizers will be in public view and may lead to increased patient/and or family complaints about their usage or lack thereof.

August 2010

Published by the Health Care Protection Program

It should be clearly understood that this document and the information contained within is not legal advice and is provided for guidance from a risk management perspective only. It is not intended as a comprehensive or exhaustive review of the law and readers are advised to seek independent legal advice where appropriate. If you have any questions about the content of this Risk Note please contact your organization's risk manager or chief risk officer to discuss.

The following diagram summarizes the risk management process visually and illustrates the cyclical nature of the process.



Appendix 1

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Risk Category (such as property, finance, patient safety, personnel, liability)	Risk Event (What is it that you are working to avoid or reduce the likelihood or impact of occurring? Risks are future events that could interfere with meeting project objectives. One risk per row.)	Risk Cause (What are the triggers, sources or circumstances that could act alone or together to increase the likelihood of the Risk Event occurring? There are usually multiple causes leading to a Risk Event.)	Impact/ Consequence (If this Risk Event did occur, what would be its consequences /impacts on this project and on other initiatives or projects that depend on this project, where dependency relationships and across-project linkages are required/known?)	Existing Mitigations/ Controls (Is there anything you are currently doing to reduce the likelihood or impact?)	L 1 - 5	C 1 - 5	Initial Risk Rating	Adequacy of Existing Mitigations/ Controls (how would you describe the action already in place that mitigates the risk in question? non-existent, weak, adequate, robust, excessive)	Risk Tolerance (accept, monitor, treat, transfer, avoid)	Additional Mitigations/ Controls (Is there anything more you could be doing?)	L 1 - 5	C 1 - 5	Target Risk Rating	Risk Owner (individual or group to manage)	Due Date (milestone /reporting)
Compliance with HCA policy	staff don't use the newly installed hand sanitizers in patient rooms	Staff are not aware that hand sanitizers have been installed Staff don't fully understand the role they play in spreading infection. Staff advise they are too busy and that the sanitizers are not conveniently located.	Program is unsuccessful Overall Infection Control Program adversely impacted Ineffective use of financial resoucrs	Staff are aware of infection issues and are keen to improve infection controls Planned handwashing campaign	4	4	HIGH	Weak	Treat	Implement Education Campaign Install signage close to new hand sanitizers Install hand sanitizers in close proximity to doorways to increase convenience for staff	3	3	MEDIUM		
							LOW						LOW		
							LOW						LOW		
							LOW						LOW		
							LOW						LOW		
							LOW						LOW		

SAMPLE ONLY - this document is intended for discussion purposes only

Descriptors for Risk Register

LIKELIHOOD = Probability of the risk event actually occurring.

Score:	Descriptor:	Approximate probabilities:
1	Improbable; Rare	.00 - .04
2	Unlikely	.05 - .24
3	Possible	.25 - .54
4	Likely	.55 - .89
5	Almost Certain	.90 - 1.00

CONSEQUENCE = Degree of severity, with respect to goals/values, should the risk event occur.

Score:	Descriptor:
1 Insignificant	negligible effects.
2 Minor	normal administrative difficulties; [STRATEGIC VIEW: NORMAL DIFFICULTIES ASSOCIATED WITH PROGRAM PLANNING AND OPERATIONS]
3 Significant	delay in accomplishing program or project objectives; [STRATEGIC VIEW: DELAY, IN YEARS, IN FULFILLING THE MANDATE OF THE INSTITUTION]
4 Major	program or project re-design, re-approval and re-do required: fundamental rework before objective can be met; [STRATEGIC VIEW: STRATEGIC PLAN REQUIRES MAJOR RE-ORIENTATION, APPROVAL; CONSEQUENT PROGRAM RE-WORK]
5 Catastrophic	project or program irrevocably finished; objective will not be met. [STRATEGIC VIEW: MANDATE OF THE INSTITUTION, OR INSTITUTION ITSELF AS WE KNOW IT, IS FINISHED]