In 2015, Washington D.C.-based Children’s National Health System combined its clinical risk management program, which focused primarily on professional liability risks, with its fledgling enterprise risk management (ERM) program. The decision was driven largely by the 300-bed pediatric academic medical center’s strategic plan to bring its compliance agenda into the modern age. Few industries today are as regulated as the health care sector, with hospitals mandated to reduce costs while improving patient care.

Children’s National has been able to successfully strike this delicate balance, in no small part because of ERM. U.S. News & World Report ranks the pediatric hospital No. 6 on its 2019 Honor Roll for children’s hospitals nationwide and No. 1 as the country’s leading hospital for neonatology. RIMS sat down with Rebecca Cady, Vice President and Chief Risk Officer at Children’s National and RIMS 2018 Risk Manager of the Year, to discuss her development of the organization’s ERM program.

RIMS: Talk a bit about compliance and why this risk was considered strategic by the board.

Cady: We’re the most regulated industry in the country for a variety of reasons, including health care fraud, waste and abuse—anything that causes harm to a patient. For any hospital, compliance with regulations like HIPAA, HITECH, and complex rules around health care delivery and value-based payments are top risks. We have to balance the need to manage both operational and strategic risks across the enterprise. If we’re overly focused on the high-level stuff, something at a low level might come out of the blue and blow things up. Consequently, ERM calls for us to have front line managers dealing with low-level risks, department directors addressing business risks in their areas of control, and the C-suite and board looking at our top strategic risks. But other risks like cyber events also are considered strategic from an ERM standpoint.

RIMS: There have been number of ransomware attacks in the last two years against hospitals. Hackers shut down IT systems, fully cognizant of the urgent need to restore these systems for patient life and safety considerations. But how is this a compliance risk?

Cady: Cyberattacks that compromise the sanctity of patient data run into federal laws governing privacy protections. If systems are shut down, this can increase patient suffering. On top of this risk, we have to remain competitive in a milieu where there is a continuing debate about how we as a nation should pay for health care, given the fact that our costs are more than most other developed nations.

RIMS: Excellent point. For decades, the economic model for health care in the U.S. has been based on patient volume and return visits. The more patients, the more revenue.

Cady: That was the past model. However, today it’s not about how many patients you have or how often they come by to seek care. The paradigm today is focused on the quality of health care at less expense, and that is the case with fewer hospital admissions. The less a patient sees you is an indicator that you’re doing better at keeping them well. The financial incentives for the organization are different under today’s payment schemes. The difficulty for us and other hospitals is that we’re not built for this [new model]. It becomes a real challenge to get the margins you need to sustain operations. We’re moving in this direction, but we’re still straddling the fence.
RIMS: How does ERM make a difference?

Cady: That’s a great question as it really gets to the heart of what we’ve been doing here for the last four-plus years. At its most basic level, ERM creates a structure to help you stay on top of regulatory burden. And not the just the regulations already on the books—it helps stay ahead of changes coming at you. ERM makes sure our practices and policies are effective in helping us to eliminate unnecessary expenses. We further rely on ERM to mitigate the impact of cyber events and avoid such attacks. For example, we have instituted policies around vendor management that ensure we don’t do business with a third party that inadvertently causes a vulnerability that opens the door to a cyber event. Lastly, ERM helps us operate at optimal efficiency, which is important when you’re in an industry challenged by narrow margins.

RIMS: Does ERM also provide value insofar as patient care and safety?

Cady: Absolutely. The fewer occasions that result in preventable harm to a patient affect our bottom line, by eliminating potential medical malpractice lawsuits that cost millions of dollars. ERM provides a structure to improve and monitor our processes to provide optimal care reducing such adverse outcomes.

RIMS: How have you been able to calculate these savings?

Cady: We do monthly actuarial calculations that demonstrate how much ERM has saved us in dollars. This information serves another important purpose, as it helps people understand that ERM is not just some ‘new flavor of the month,’ that this is a way to do business as a highly reliable organization. It provides benefits to patient safety and the bottom line.

RIMS: How so?

Cady: Positive health care outcomes depend on carefully coordinated care and policies designed to protect patients from harm. In a very powerful way, the high-reliability principles we apply in taking care of kids are the same principles we apply to our business infrastructure. For instance, we make sure that if we’re paying a bill, we get it right on a highly reliable basis. We’re the only pediatric medical center, in fact, to be named for the last 10 years in a row to The Leapfrog Group, which is considered the gold standard for comparing more than 2,000 hospitals nationwide on such metrics as patient safety, quality of care and operating efficiency.

RIMS: That’s a great honor. Is it fair to say that ERM has enabled Children’s National to act more quickly than other health care organizations when it comes to patient care at lower costs?

Cady: I believe that is possibly the case. It’s hard for people in the business of health care delivery to get their minds around what ERM is and does. But we’ve been very successful here to demonstrate its value. A prime example is how it has impacted workers compensation. In general, our numbers are lower than other health care centers. And sure, that is partly because we’re a pediatric center dealing with smaller patients than adults, which would appear to result in fewer patient-lifting injuries. But we discovered a couple years ago through the ERM program that our employee injuries were creeping up for some reason. And the reason appeared to be injuries that derived from patients.

RIMS: The children were injuring employees?

Cady: I know, sounds a bit far-fetched. But we took the same ERM approach we used for other patient events to determine if there were common causes. For example, we discovered an apparent causal relationship with injuries being more common when the child or adolescent being treated had some form of psychiatric diagnosis. We know impulse control can be a feature in these diseases, but wanted to fully understand how these injuries as well as others were occurring. So, we chartered individual work groups to more deeply examine the various types of injuries and causes across the board, which in turn allowed us to implement tactics that would reduce the injury rate.

RIMS: How was this approach successful?

Cady: From FY2018 to FY2019, we were able to bring down our total recordable injury rate—the injuries that must be reported to OSHA—by 50%. Additionally, we brought down the overexertion rate by 18% and falls by 21%.

RIMS: What about injuries specifically caused by patients?

Cady: We’re still measuring this, but we have made headway. It’s just a more complex challenge. We’ve put care pathways in place for these children to reduce the things that trigger their anxiety and subsequent behaviors, which is an important benefit for both patients and caregivers. Like many others, our hospital can be very busy, with lots of different people and equipment and a high amount of activity in close quarters, which results in a highly stimulating environment. By making the environment less stimulating with specially designed pathways, it appears to be making a difference. But we will continue to study the problem and measure the outcomes.

RIMS: Ultimately, would you say ERM has been a game-changer at Children’s National?

Cady: I would. It is important that we make decisions which benefit our patients. What is interesting is that ERM provides a way to do this and also improve conditions for the staff, via operating efficiencies. But our kids’ needs will always come first; the fact that ERM also improves the bottom line is icing on the cake.

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