FORMALIZING ERM AT CENTENE

By Russ Banham

RIMS

Centene Corporation is a major intermediary for both government-sponsored and privately insured health care programs, whose primary lines of business include Medicare, Medicaid and the Health Insurance Marketplace System via the Affordable Care Act. The large publicly traded company, ranked on the Fortune 500 list in the number 61 position of U.S. companies by total revenue (approximately $48.40 billion in 2017), has come an extraordinary distance since its founding by Elizabeth Brinn as a single health plan in 1984. Today, Centene’s 45,000+ employees service health plans for more than 14 million plan members domestically and internationally.

Jana Utter joined Centene in June 2015 to head up Enterprise Risk Management (ERM). Two weeks after her hiring, the company announced a major acquisition—a $6.8 billion acquisition of Health Net, another healthcare insurance provider. The acquisition was projected to catapult Centene’s annual revenues from $21 billion in 2015 to $37 billion in 2016 and membership would double from 5 million to over 10 million members. The task before Utter—ensuring that the existing ERM program was aligned with best practices in preparation for meeting a new regulatory reporting mandate—suddenly appeared to have grown significantly. But having initiated two ERM programs previously, she was prepared for the challenge.

RIMS sat down recently with Utter to document her strategy in taking Centene’s ERM program to the next level.

RIMS: Thanks for joining us today, Jana. We were struck by the announcement of the Health Net acquisition so soon after you hired on. Did that give you pause for consideration as you developed your plans to move the ERM program forward?

Utter: It’s always tough joining a company right before a major acquisition. But the good side of things is that with all the new people coming into the organization, it didn’t take long for me to feel like I was not a “newbie.” I was quickly treated like a veteran, which doesn’t hurt when you embark on a major change effort.

RIMS: Funny but true. So you were brought in to evolve Centene’s ERM program. It appears to have been in place for some time, correct?

Utter: Yes, the program was pretty mature when I got here. It was initiated in late-2005 and got off the ground fully the following year. What’s interesting is that for an insurer, especially a health insurer, that was quite early for an ERM launch. The program was well thought-out and considered important by executive management and the board, which was encouraging. The main reason I was brought in was due to new NAIC reporting requirements for the Own Risk and Solvency Assessment (ORSA) that was coming into play the next year [2016] for Centene. All insurers were to conduct internal assessments of their material risks and the capital resources to support them. Fortunately, we already had an ERM program in place, but the board was looking for someone with experience in the energy or financial services sector, which were considered to have more advanced ERM programs. This was to make sure we provided a thorough report, taking it to the next level by doing the risk modeling and capital adequacy required. It was interesting stepping into that situation. [NAIC is an acronym for the National Association of Insurance Commissioners, an organization representing state insurance regulators.]

RIMS: What do you mean?

Utter: My work in the past had involved launching two ERM programs from scratch [at MISO—Midcontinent Independent System Operator, and Great Plains Energy, the latter of which is now known as Evergy], rather than taking one that was already mature to another level of proficiency. Some of the processes that were already in place were the preferred way for the ERM program to be structured. I needed to shift my mindset from launching a program to building onto this framework.

RIMS: How did you ready the company to make the ORSA reports to the NAIC?

Utter: I felt a good way to gauge where the ERM program was, insofar as its overall maturity, was to utilize the RIMS Risk Maturity Model. The
model helps risk managers measure the alignment of an organization’s risk management against ERM best practices, ultimately producing a maturity score and specific actions to take. The NAIC’s Financial Condition Examiner’s Handbook actually had used the RIMS Risk Maturity Model as the basis for financial examiners to gauge the maturity of ERM programs. So this was a great first start.

**RIMS:** Did it turn out to be the right approach?

**Utter:** It did. I had asked several people to participate in taking the assessment, including the executive vice president I reported to, the vice president of internal audit, and the person who had been doing ERM here the previous two years. I was able to get a good overview from everyone on the maturity level of our ERM program. Based on what I learned, I concluded that we needed to charter our risk management oversight committee, which was meeting on a quarterly basis but had not been chartered. I also realized we needed to formalize a statement on our risk appetite. Once these elements were documented, we would be more fully prepared for the ORSA.

**RIMS:** Did the acquisition of Health Net affect the preparations for the filing?

**Utter:** Although the acquisition was announced in early July, a month after I arrived, it didn’t close until March of 2016. Consequently, my focus was on the reporting requirements—to hit the ground running by assessing the maturity level of our ERM program and advancing our quantitative risk analysis to support a capital adequacy calculation for the filing. I was fully engaged in these preparations, as it was the number one priority from an ERM standpoint.

**RIMS:** Acquisitions do seem to be part of the company’s strategic growth. We discovered three additional acquisitions by Centene in just the past year and one-half—Fidelis Care, Community Medical Group and MHM. Do these transactions complicate your work leading ERM?

**Utter:** Our mantra for acquisitions is to maintain a local presence and local approach. We tend to let the companies we acquire operate as independent companies within Centene. Typically, the entities also keep their names. However, we consolidate back office functions like finance, HR, compliance, claims processing, and ERM. To answer your question, since we have a long-standing and well-defined ERM program fully supported by the board and executive management, it makes it easier to bring acquisitions into this framework.

**RIMS:** What is largely different today in ERM from when you joined the company?

**Utter:** Let’s see. Well, we already had a GRC [governance, risk management, compliance] system in place when I got here; the risks were documented and there was good tracking and reporting of all the business unit risks and corporate unit risks. We had a risk oversight committee and made quarterly reports to the board and management and did an annual risk assessment. What changed was our response to the need to formally report what we were doing to the NAIC. That required a description of the ERM program from the top down and the bottom up. We also needed to describe our risk assessment and risk management culture and our governance—documenting how we were assessing, mitigating, managing and reporting risks. That whole process highlighted strengths of the program as well as a few opportunities to enhance our program.

**RIMS:** Can you elaborate on a few?

**Utter:** For one thing we’re always looking to add other elements to the ERM program from a documentation standpoint. An example is metrics. Everybody here has metrics and track them on a plethora of dashboards created by the different departments. We decided two years ago to ask the business units and corporate functional areas for information on the key metrics they were using to monitor particular risks. This became part of our reporting documentation. This past year we did something else, focusing on identifying the true risk owners. We had risk owners, of course, but they tended to be the business leaders, which made sense. However, the head of HR may own the HR risks, but who is the ‘go to’ person managing each risk on a day-to-day basis. While the HR leader is the accountable party, the other individual is the responsible party and serves as a good contact for the ERM team to reach out to for more information about the risk.

**RIMS:** You’re engaged in what appears to be an ongoing journey toward continuous improvements in ERM—is that a fair assessment of your mandate?

**Utter:** I would say that we’re looking each year to do what we can to make ERM more efficient, yes. And since the company is constantly evolving, we must evolve along with it. When I started, we were listed in the Fortune 500 in 251st (2014) place and last year (2017) we were at 61. We’ve had explosive growth in the time I’ve been here, but that has been the story of Centene since the beginning.

**RIMS:** Has the company’s recent growth required new initiatives within ERM?

**Utter:** One big initiative, as a matter of fact, involves our GRC system. We have been going down the RSA Archer path to integrate and manage our GRC functions, all of which are subject to various rules, regulations, contractual requirements or standards [RSA Archer is a provider of a GRC platform]. Both Archer and Gartner were beginning to change the terminology from GRC to integrated risk management, which is really what those GRC systems are doing on a ‘lines of defense’ basis. There are three lines of defense for GRC: The first line of defense is operations management, the second line is the risk management and compliance functions, and the third line is internal audit. I’ve been fortunate since coming here in that corporate compliance, security, risk management, third party risk management and ERM all report up through the same senior vice president. We already operated as a unit, if you will. Other companies often have the functions split and have to deal with two or more executive lead-
ers. Here we have it all under one umbrella. Consequently, our ERM Risk Register is a comprehensive repository of data, with information drawn from risk management, security, corporate compliance, etc. We already have in place what is needed to perform true integrated risk management.

**RIMS:** What do you love most about your job?

**Utter:** That’s a great question. In many ways I am in a unique position, I know a little about everything in the company but don’t necessarily have deep knowledge on all aspects of the business. That makes my job really interesting. From an ERM standpoint, there’s always something new that crops up that I have to figure out. Lastly, we’re on the leading edge of ERM, but we’re always looking at what’s coming over the next horizon. And that’s just plain, good-old fun.

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