

# **UTILIZING ENTERPRISE RISK MANAGEMENT IN RURAL HEALTH TO IDENTIFY RISKS AND OPPORTUNITIES AND BUILD RESILIENCE**

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# DISCLAIMER

- *The opinions, materials, and statements presented are those of the presenter. They are not endorsed by or necessarily represent the views of ICAHN, ASHRM, its members, or the AHA.*

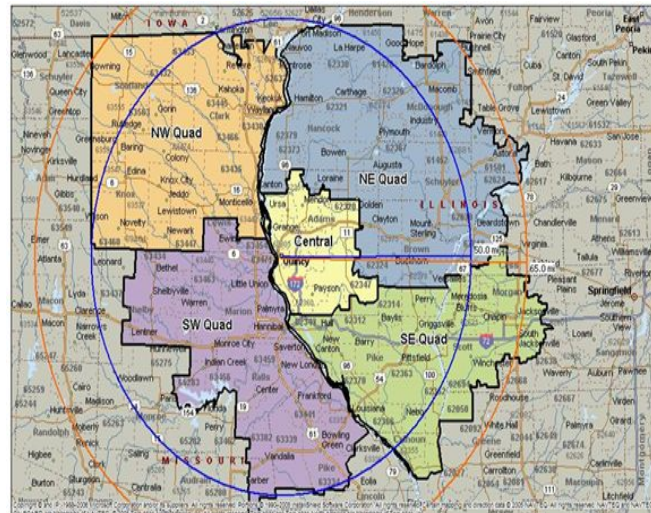
# PURPOSE & OBJECTIVES

Purpose: To provide a basic understanding of the concepts and principle behind enterprise risk management (ERM) in health care.

Objectives:

1. Define and understand the basics of ERM
2. Identify and analyze enterprise risks in health care
3. Develop key components and principles of an ERM Framework/Program

# INTRODUCTION



# WHAT IS ENTERPRISE RISK MANAGEMENT



# ERM DEFINITIONS

## Wikipedia Definition:

- “**Enterprise risk management (ERM)** in [business](#) includes the methods and processes used by organizations to manage risks and seize opportunities related to the achievement of their objectives. ERM provides a framework for [risk management](#), which typically involves identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring process. By identifying and proactively addressing risks and opportunities, business enterprises protect and create value for their stakeholders, including owners, employees, customers, regulators, and society overall.”

## COSO Definition:

- “**Enterprise risk management** is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

# ERM DEFINITIONS

## ASHRM's Definition:

“Enterprise risk management in healthcare promotes a comprehensive framework for making risk management decisions which maximize value protection and creation by managing risk and uncertainty and their connections to total value.”



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# ERM vs. TRADITIONAL RISK MANAGEMENT

## Traditional Risk Management

- Silos, Departmental, Individual approach
- Reactive
- Focus is value protection, Asset preservation
- Often in healthcare, focus is only clinical/patient safety risks

## Enterprise Risk Management

- A structured approach to identifying, assessing and managing risks across the organization
- Top down approach, Board and C-Suite engagement
- More attention to value creation, decrease variability, align with strategic goals and opportunities across entire enterprise
- Assigned Risk Owners

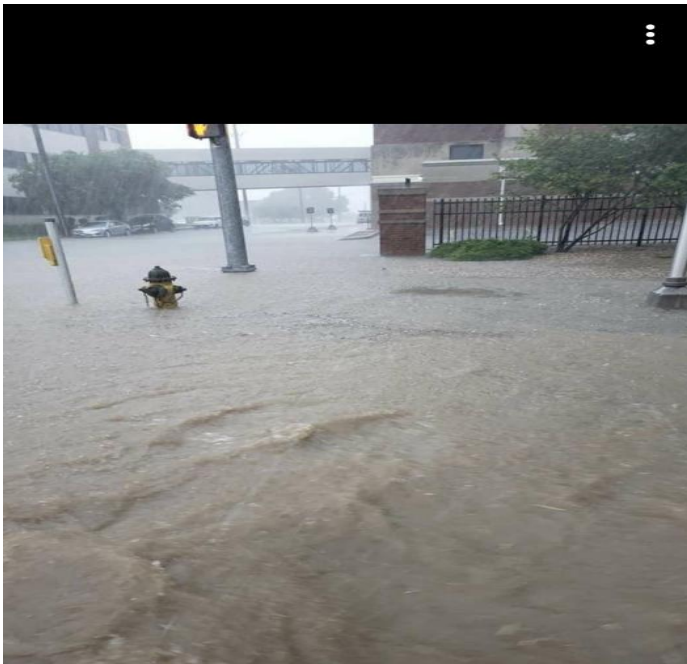
# WHY ERM IS IMPORTANT IN CRITICAL ACCESS

- Limited resources require proactive risk prioritization
- Rural settings often mean limited backup systems
- Supports compliance with CMS, Joint Commission, DNV and state regulations
- Builds resilience against financial, staffing, and operational pressures
- Enhances patient safety and community trust
- Creates sustainability by identifying and analyzing risks in a standardized and transparent approach

**WHAT RISKS DO YOU THINK ABOUT?**

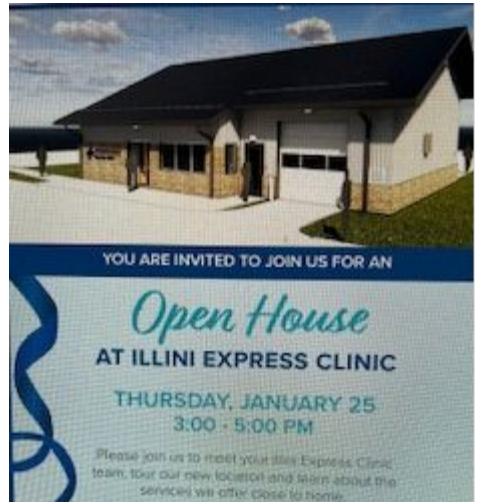
**WHAT INITIATIVES/OPPORTUNITIES  
IS YOUR ORGANIZATION THINKING  
ABOUT UNDERTAKING AND HAVE  
YOU THOUGHT ABOUT THE RISKS?**

**RISK & STRATEGY NEED TO ALIGN**



Epic goes live 3/21/26!

Blessing takes new approach with Medicare Advantage plans



# ERM APPROACH IS NOT JUST CLINICAL RISKS

## **Recent headlines from Becker's Hospital Review –October 2025:**

- 85 hospitals, health systems cutting jobs
- 22 hospital closures in 2025
- The state of supply costs
- Tenet nurses plan strike at 6 California hospitals
- White House clarifies who must pay \$100,000 H-1B visa fee
- Mission Hospital in immediate jeopardy for 2<sup>nd</sup> time in 2 years
- Louisiana hospital employee charged with forging CEO's signature
- Tensions rise over health AI oversight and regulation

# BENEFITS/ROI OF ERM

- Ability to see the whole picture-identify entity-wide risks
- Improves information sharing and decision making across organization
- Helps to anticipate risks earlier; increases options to manage risks and minimize potential for losses, reduces performance variability, failures, etc.
- Gives strategic focus-how much risk does the organization deem acceptable in pursuit of strategy and objectives.  
Determine Risk Appetite, Risk Tolerance, Risk Capacity
- Risk awareness-not viewing risks always as a negative; Focus on threats and opportunities

# ADDITIONAL BENEFITS OF ERM

- Helps to determine risk response-priorities, allocation of resources, risk transfer
- Creates strong foundation with risk governance, culture, strategy and operations
- Improves relationship between risk and performance/operations- more comprehensive portfolio of risks
- Bond rating/Financial institutions/Standard & Poor
- Competitive advantage
- Continuous process

# ERM STARTS WITH CULTURE

- What is your organization's mission, vision and core values?
- What is your culture?
- What is the tone at the top?
- Is the timing right? YES
- ERM is not a “project” with a beginning and an end



# IDEAL CULTURE

- Promotes transparency and just culture
- Encourages cross-departmental communication
- Incorporates risk thinking into daily operations
- Is open to questions and challenging dialogue
- Recognizes and rewards proactive risk mitigation
- Eliminates silos

# UNDERSTANDING YOUR ORGANIZATION

- What is your organization's risk appetite-Risk adverse? Risk takers?
- Traditional Risk Management vs ERM?
- Is Risk Management professional at the table?
- Is your organization forward thinking? Transparent? Silos?
- Do you look for the Positive/Upside Risk/Opportunity as well as the Negative/Downside Risk/Loss/Threat?
- Are Risk Assessments conducted and wins/gaps shared with leaders, executives and the Board?

# BEGINNING JOURNEY

- Assign an ERM Champion (Executive) and Facilitator (RM professional)
- Get knowledgeable- Network with others- no need to reinvent the wheel. Will you create/adopt a framework?
- Use your broker, professional organizations such as AHA, ASHRM, RIMS, consultants, google, etc. as a resource
- Educate/Obtain Board and Executive support
- Challenges of today illustrate why an ERM approach is necessary
- Determine risk oversight- where does ERM report out/up to, frequency?

# DEVELOP/UTILIZE AN ERM MODEL/FRAMEWORK



1. Identify risks
2. Assess likelihood and impact
3. Prioritize risks across domains
4. Develop mitigation plans
5. Monitor and report progress
6. Integrate into governance and strategy

# BOARD/C-SUITE RESPONSIBILITIES

## Board and Executive Oversight essential to ERM success!

- **Risk Attitude**-How your organization feels about taking risk
- **Risk Appetite**-Amount and type of risk organization is willing to assume in order to meet strategic objectives. Balance between risk and opportunity.
- **Risk Tolerance**- Parameters operated in to achieve objectives. Quantitative thresholds given to determine acceptable variations in objectives.
- **Risk Capacity**- Absolute point or cutoff after which no further risk will be acceptable
- Risks are constantly changing based on internal, external factors
- Tie to Strategic plan-Align risk with strategy and performance

# IDENTIFYING RISKS AND OPPORTUNITIES

- Seek input from individuals throughout the organization/health system via various- Interviews, Brainstorming sessions, Surveys, etc.
- Document sources: incident reports, audits, meeting minutes, risk assessments, strategic plan, other department plans, etc.
- Understand not all risks will be identified
- Focus on enterprise-level implications not isolated events
- Review external resources/risks as well
- Typically a yearly process but new risks could develop during the year

# BUILDING A RISK LIST- USE OF DOMAINS

Operational	Clinical/ Patient Safety	Strategic	Financial	Human Capital	Legal/ Regulatory	Technology	Hazard

# DOMAINS

## STRATEGIC

- New ventures/acquisitions, partnerships
- Growth
- Competition/disrupters, etc.
- Look at Strategic Plan, mission alignment

## OPERATIONAL

- Business practices
- Supply Chain/Vendors
- Facility management
- Business Continuity, etc.

# DOMAINS

## FINANCIAL

- Reimbursements/declining payments
- Payer mix
- Access to capital
- Stock market fluctuations

## HUMAN CAPITAL

- Recruitment/Retention
- Unionization
- Succession planning
- Burnout

# DOMAINS

## HAZARDS

- Extreme weather events/climate
- Safety/Security events-active shooter
- Civil/political unrest

## TECHNOLOGY

- Data Security/Cyber attack
- Artificial Intelligence
- Digital Technology

# DOMAINS

## CLINICAL/PATIENT SAFETY

- Quality performance
- Clinical errors
- Infection Control
- Medication safety

## LEGAL/REGULATORY

- Compliance risks
- P/L Claims
- D&O, EPL Claims
- Impact of Federal and State laws

# SAMPLE RISK LIST

<b>RISK</b>	<b>DOMAIN</b>
Recruitment/Staffing Shortage	Human Capital
Cyber Liabiltiy/Ransomware	Technology
Supply Chain Shortages	Operations
Acquisitions/Joint Ventures	Strategic
Access to capital/Financial Performance	Financial
External Severe Weather Events	Hazard
Medical errors	Patient Safety
D&O/EPL Claims	Legal/Regulatory

# SCORING RISKS-USE EXECUTIVES/KEY STAKEHOLDERS

**Frequency, probability, likelihood** -the possibility an adverse event/occurrence/risk will happen. Usually a 1-5 score.

**Impact, severity and cost**- refers to the anticipated outcome of the risk if it occurs. Referenced in financial terms/dollars. Consider level of harm to a patient, financial impact, damage to reputation or other negative impact. Again a 1-5 score.

Also can consider:

**Velocity**-speed of change/impact- the speed risk can occur, how quickly the risk is likely to develop. Slower developing risks allow more time to implement mitigation strategies, create contingency plans, arrange for risk financing. A 1-3 score.

**Risk controls/mitigants**- existence and effectiveness of controls/mitigants. Numerical score.

- Example:  $\text{Frequency/Likelihood} \times \text{Impact/Severity} + \text{Velocity} = \text{Total Risk Score}$
- $\text{Frequency/Likelihood} \times \text{Impact/Severity} + \text{Velocity (Inherent risk score)} - \text{Control Effectiveness} = \text{Residual risk score}$

# SAMPLE RISK SCORING

**Frequency/Likelihood**: how likely is the risk to occur?

**1 - Rare** Could happen in **20 yrs** &/or has happened in the last 20 yrs

**2 -Unlikely** Could happen in **10 yrs** &/or has happened in the last 10 yrs

**3 -Moderate** Could happen in **5 yrs** &/or has happened during the last 5 yrs

**4 -Likely** Could happen in **1-5 yrs** &/or has happened in the last 1-5 yrs

**5 -Most Certain** Could happen anytime in **1 year**

**Velocity: 3-Hours to Days**

**2-Days to Weeks**

**1-Weeks to Months/Years**

**Severity/Impact** : if the risk were to occur, what would be the impact?

**1 -Negligible** -Negligible impact to services/care, reputation, property damage (<\$2M)

**2 -Minor** -Minor impact to services/care, reputation, property damage (\$2-\$5M)

**3 -Moderate** -Moderate impact to services/care, reputation, property damage (\$5- \$15M)

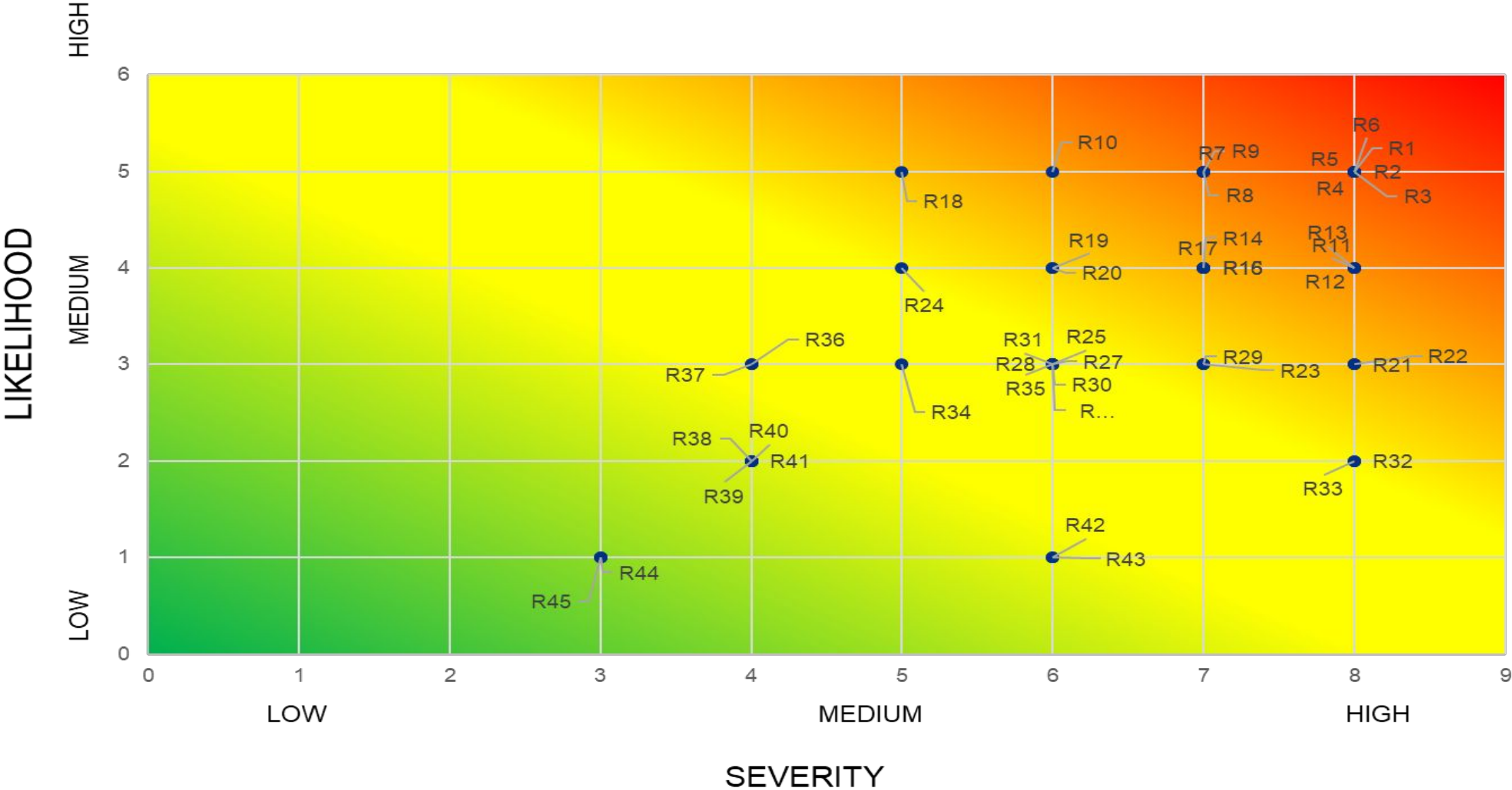
**4 -Critical** -Major impact to services/care, reputation, damage (\$15- 25M)

**5 -Catastrophic** -Extreme impact to care, reputation, damage (>\$25M)

# EXAMPLE OF RISK SCORING

RISK NAME	RISK DOMAIN	LIKELIHOOD/FREQ	IMPACT/SEVERITY	VELOCITY	RISK SCORE
Staffing/Recruitment	Human Capital	5	3	2	17
Cyber/Ransomware	Technology	5	5	3	28
Supply Chain Shortages	Operations	4	3	2	14
Acquisition	Strategic	3	2	1	7
Access to Capital	Financial	5	5	2	27
Severe Weather events	Hazard	5	4	3	23

# SAMPLE HEAT MAP



# PRIORITIZING AND ADDRESSING THE RISKS

- Focus on the top 5 or so risks
- Highest risks not usually patient safety
- Should generate discussions
- Identify those risks that may be preventing you from achieving your business objectives and meeting your strategic plan
- Assign Risk Owners
- Develop score cards/action plans to monitor risks

# DEVELOP SCORECARDS/ACTION PLANS

- 1) Define the risks
- 2) Identify the Risk Owner – often an executive
- 3) Identify current mitigants/controls
- 4) What are the short term action plans/objectives?
- 5) Any long-range opportunities to address the risk?
- 6) Develop metrics (KRIs)
- 7) Monitor effectiveness of controls, actions, KRIs
- 8) Communicate/Report
- 9) Monitor, Review and make changes as needed.

# BLESSING'S ERM STRUCTURE

- ERM Committee
- ERM Plan
- Engaged Senior Leadership
- ERM concepts integrated throughout the health system
- Bi-Annual/Annual report to Audit & Finance
- Minimum of Yearly report to Corporate Board
- Education to new employees, new leaders
- ERM updates to Management
- Risk Assessment tools/Scorecard
- Risk Inventory updated regularly

# CHALLENGES? CONCERNS? DISCUSSION

- What would prevent your organization from taking an ERM approach to identifying and addressing risks?
- Are you now thinking of those risks that could put you out of business or negatively impact your strategic goals?
- Do you understand how ERM can strengthen strategic and operational decisions?

# FINAL TIPS

- ERM is a continuous process and should be incorporated into everyday thinking
- Have Risk Management at the table for new services/initiatives and strategic planning
- Keep ERM progress of top risks in front of board and key stakeholders
- Ensure ERM incorporated at all levels
- Update risk inventory every 12-18 months
- Have an ERM plan

# CONTACT INFORMATION/QUESTIONS?

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THANK YOU!!

# RESOURCES

- ASHRM's 2020 ERM Readiness Assessment tool
- ASHRM's Boardroom Brief "Encouraging A Risk Aware Culture to Drive Value"
- ASHRM's "Enterprise Risk Management for Health Care Boards: Leveraging the Value"
- AHLA's "The Bar for Board Performance Has Been Raised" article
- Enterprise Risk Management Integrating with Strategy and Performance Executive Summary, 2017, Committee of Sponsoring Organizations of the Treadway Commission (COSO). Free download at <https://www.coso.org/Documents/2017-COSO-ERM-Integrating-with-Strategy-and-Performance-Executive-Summary.pdf>
- Health Care Enterprise Risk Management Playbook, Second edition. American Society for Healthcare Risk Management, 2020.
- Enterprise Risk Management for Health Care Entities, Third Edition. American Health Lawyers Association, 2024.
- ASHRM's ERM Certificate program
- NC State ERM resources and classes
- RIMS resources and classes