The Disruption of Risk
Why Healthcare Organizations Need to #RethinkRisk to Survive

Healthcare is being disrupted. Every link along this value chain holds risk…and that's being disrupted too.

The business of healthcare is changing – from delivery system to payment model, healthcare consumer to healthcare provider. Drug stores are buying health plans. Uber is covered by Medicare. Amazon, Berkshire Hathaway, and JP Morgan have the capacity to upend everything we know about the healthcare supply chain along with the way people pay for care.

As the healthcare 'ecosystem' reorganizes itself into an increasingly tech-enabled, consumer-driven market, so does the balance of power, value, and – of course – risk.

Health plans are shifting more and more risk to patients and providers as consumers gain greater access to their data and explore new options for care. Even payment for services rendered is threatened as billing errors, high deductible health plans or lack of insurance render A/R days into months, years and sometimes even prevent full payment to providers for services rendered. There has been a wave of industry mergers, creation of ACOs, increases in hospital-employed physicians, and the rise of the mega lawsuits which has increased exposure to medical malpractice claims in unprecedented ways.

While the "transformation of healthcare" is far from complete, business models for physician practices and hospitals must evolve to keep up with care that is being delivered across multiple platforms. So too must our thinking about healthcare risk.

How do we continue to protect our patients, our clinicians, and our healthcare institutions during this time of great change while taking advantage of the tremendous opportunities ahead of us to improve the cost, quality and access to care that such a revolution can provide? How do today's healthcare organizations stay competitive? How do they pivot into the next generation of healthcare?

As the CEO of a medical malpractice insurance and workers' compensation insurance company in some of the most challenging healthcare markets in the country, we've had a bit of a jump start on worrying about how to help hospitals and physician practices adapt to the transformation of healthcare.

In our specific case, we are owned by a mix of hospitals and doctors. Much of our client base consists of small, rural hospitals battling to stay in business, so they can continue to provide care and jobs for their communities. Three years ago, we began to shift our company to help these health centers. These healthcare providers are fighting hard. So, it was imperative to our business to ask: How can we help them fight harder?

Our team has built new customer-focused capabilities for managing and financing risk that are customized to the individual organization's risk appetite. We've leveraged innovation to incubate and spin off a technology company that is focused on one of the major risks in healthcare: the ability to get paid. We've sought out partnerships with other innovative companies to deliver game-changing solutions to our health system clients that they would not have otherwise found. We've renegotiated contracts, created new policies that offer the right protection at a fair price, and even launched a pilot program to elevate risk-readiness within organizational core competencies which is capable of differentiating a hospital's ability to stay competitive and, even, thrive despite a challenging environment.

These were necessary initiatives to move the baseline. However, to really meet the demands of this changing marketplace, we need to challenge med mal coverage, the companies that provide it, the healthcare providers that consume it, and the industry around it to drastically change the way it thinks about healthcare risk.

We're changing, but we're not changing enough. We need to disrupt our thinking, or we'll be disrupted right out of business by companies like Walmart, CVS, Apple, Amazon, and Google. Sure, these giants will be required to 'play by the rules' just like existing healthcare providers, but what will be different is their mindset. They're playing to win. They're not afraid to question the status quo. They're not stuck in the inertia of the existing ecosystem. In fact, it may be their 'systems' view that does us all in. These are multibillion-dollar businesses who have transformed industries, and just by stepping into healthcare, they've already proven that they're not afraid of risk. So, I say to healthcare, why are we?

Why can't we change our thinking about healthcare risk? Why can't we begin looking at risk as an opportunity?

I'm not advocating for recklessness or trying to be cavalier with how we approach people's healthcare and their lives. Patient safety is of the utmost importance in healthcare. At the end of the day, healthcare is about people helping people. Yet we know that nothing is perfect or risk free. Humans make mistakes and errors are made for multiple reasons, but every industry has the ability to tackle *preventable* errors. I see that as symptomatic of a fundamental flaw in how we've been trained to think about risk and who's accountable for it.

The paradigm needs to shift. The main driver that is holding us back is our inability to get past our own misguided understanding of risk. Society treats risk like an act of nature - something uncontrollable, something thrust upon us - and we become its victim. Yet, by its very definition, that's not risk. Risk is about exposure to harm or loss. One TAKES a risk. It's a choice. There is a real decision point where one chooses how exposed they want to be.

Can we rethink risk and see it for what it really is? Risk is not the danger – it's the mechanism to control how near we tread to it.

It's time to stop living in fear, start thinking about exposure, and begin the process of future-proofing healthcare businesses for the next generation.

In order to accomplish this, we need to rethink risk in four ways:

1. View Risk as a Source of Revenue

Healthcare organizations need to stop thinking of risk as an expense and a loss. The liability coverage you're buying, along with the cases you're settling, need to be considered an investment in your business just as much as the sensors you're ordering to geo-locate surgical tools in the OR. The way you proactively manage your risk has a direct impact on your ability to attract and retain both clinicians and patients, as well as your ability to increase your reimbursements for the services you deliver. Healthcare is a human business. Even the simplest efforts of effectively training employees to limit your organization's exposure to bad risks can reduce those preventable medical errors and has the potential to increase your revenue. Risk readiness needs to be an organizational core competency.

2. Connect Risk Management to Risk Financing

If we come back to the definition of risk as your exposure to harm or loss, the disconnect between efforts to reduce your exposure to risk – and the pocketbook that is paying for them – becomes ridiculous. We come across this time and again: risk management activities are handled by one area of healthcare with a Risk Manager or Chief Nursing Officer, while the financial discussion of coverage costs and outcomes is kept separate in another area with the CFO or CEO. This disconnect is causing a vacuum and lack of clarity, which is not only dangerous, but expensive. Everyone in your organization is equally responsible for the dollars involved in this spend and should have a voice at the same table. Leverage the relationship.

3. Regard all Risk as Strategic

There are good risks and bad risks. All this risk-taking involves thinking about risk in a proactive, objective and calculated way. Evaluating options, the potential for harm, and, even more importantly, the potential for gain. In healthcare, risk is seldom thought of as a tool that can be used to help advance the organization. Why not? Nothing ventured, nothing gained. Every hospital and physician practice should address care delivery risk in their strategic planning process. All other risks – investments, expansion, equipment purchases, board appointments, are addressed – and so should the risks fundamental to the core revenue generating activities of the organization.

4. Create a Culture of Risk-Takers

What is a risk-taker? It's someone who knows how to evaluate risk, weigh options and make good decisions while squelching bad ones. It's that ability to assess-and-decide that you want to nourish within your organization. Of the hospitals and healthcare practices we insure, those that have lower premiums, and fewer claims all seem to have one thing in common: empowered employee cultures. Why? Everyone has skin in the game! The clinicians and administrators working in tandem are all accountable. They all take ownership of the full scope of the processes and workflows around their individual roles. In this environment, the traditional elements of a risk management program are viewed holistically and as a driver of performance. These people aren't lucky; they're GOOD. They're not looking at risk management as a checklist of things on a compliance list. Instead they see their ability to manage exposure as directly connected to the things that matter most to their practice: positive patient outcomes, higher reimbursement, solid reputation, and their own personal success as clinicians.

At the end of the day, let's not forget: healthcare is a business about people helping people. I'm an insurer and I want to help. I'm done with being afraid of risk and I don't want you to be afraid of it either. If that means that I need to reframe the entire conversation about what liability insurance is in healthcare…well, clearly that's one risk I'm willing to take.