B.C. Health Care Risk Management Society

Service Plan
2002 – 2005

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Introduction:

In response to the requirements of the *Budget Transparency and Accountability Act* (BTAA) the year 2000 saw the BC Health Care Risk Management Society (BCHCRMS or the Society) embark upon its first strategic planning exercises. The BTAA requires that clear performance outcomes and measures be developed in order to provide better public accountability of government and its corporations and agencies. The Society's undertaking of this activity proved to be a challenge as developing appropriate outcomes and their measures is a difficult exercise in an organization whose ultimate goal is the reduction of risk.

The year 2001 brought significant changes to our operating environment --a change in government saw the beginning of the Core Services Review process, health organizations throughout the province faced restructuring, and newly established health authorities are still struggling to organize themselves operationally. Establishing performance-based outcomes and measures takes on even more complexity when the various stakeholders are in such a state of uncertainty and flux.

In 2002, we anticipate a revitalization. This will result, in part, from our own organizational review as the Society goes through the Core Services Review process. Revisiting and re-identifying who we are and our purpose will help us to focus our resources and energy in defined and determined directions. Revitalization will come from a closer relationship with our members as we work with them toward establishing structure, reporting mechanisms, and developing a forum for consultation and discussion. Revitalization will also come from our stakeholders' understanding that risk management is an integral part of an organization's structure and processes.

As we begin work on these processes in 2002, we will do so with the view to developing and monitoring performance outcomes and measures that have meaning, not only within BCHCRMS, but also to our membership and other stakeholders.

Overview of the Organization:

History:

In 1986, the private insurance market experienced a "liability crisis." At that point, hospitals were facing premium increases of up to ten-fold for their liability / medical malpractice insurance as well as reductions in limits and coverage available. In many cases, insurance coverage was simply no longer available for hospitals. In response to this crisis, a risk management program (the Program) was established for hospitals that included the development of a risk transfer mechanism or self-insurance vehicle (the Hospital Protection Program or HPP). The BC Health Care Risk Management Society was created to establish a membership base and to administer the Program. Regionalization in the mid to late 90s resulted in an expansion of the Program as member health care organizations became responsible for public health, mental health and continuing care. In 1998, as a response to this integration of health care, the HPP (which,

originally, had been primarily directed at acute care hospitals and other approved long term care facilities) became the Health Care Protection Program (HCPP).

BCHCRMS is established under the *Societies Act* and is directed as a co-operative venture by 15 Directors. The Society is operationally funded by the Ministry of Health Services and its directors represent the BC health care industry as well as the provincial government. The environment in which the Society's member health care entities operate includes expansive legislation – members must be aware of the risk implications of the *Freedom of Information and Privacy Protection Act* (FOIPPA), *Hospital Act*, *Hospital Insurance Act*, *Health Authorities Act*, *Societies Act* (or other specific governing pieces of enabling legislation), *Adult Guardianship Act*, *Community Care Facilities Licensing Act*, *Water Act*, *Health Care (Consent) and Care Facility (Admission) Act*, and the *Transport of Dangerous Goods Act* to name a few. The list continues to expand and the environment within which we, and our members, operate continues to become increasingly more complex.

Mandate:

The Society's mandate currently reads:

> *To provide Risk Management Services (including liability coverage) for hospitals, Regional Health Boards ("RHBs"), Cluster Boards, Community Health Councils ("CHCs"), Community Health Service Societies ("CHSSs") and other designated health care agencies within British Columbia.*

In general terms, Risk Management Services can be defined as including the administration of the Health Care Protection Program as well as the provision of direct or indirect risk management advisory services to members.

Core Functions:

Specifically, the core functions of the Society can be described as:

Administration of the Health Care Protection Program (HCPP) or other similar risk, insurance or loss funding programs which may arise:

The Society, in conjunction with the Risk Management Branch of the Ministry of Finance, participates in the administration, interpretation and application of HCPP. The coverage agreements, which provide the basis for the Program, include the Health Care Comprehensive Liability Agreement, the Health Care Crime Agreement and the Health Care Property Agreement (collectively the Coverage Agreements) and describe the terms, conditions and limitations of protection afforded to members of the Society. The Society provides members with direct advisory services relating to questions or situations which arise relative to coverage under the Program.

Risk Management Advisory Service:

The purpose of the Society's Risk Management Advisory Service is to assist in the identification, analysis, evaluation and management of risks. Advisory services are provided in a broad range of areas – as the direction of health organizations change as a result of the integration of health care and other initiatives, the Society's advisory

services must also be adjusted and fine-tuned in order to draw on or bring in appropriate experience and expertise. The service has four components:

Centralized Consultation:

The Society provides guidance, advice and information regarding issues, problems or situations arising in the operation of the member health organization which constitute perceived or actual risk exposures.

Risk Management Education:

The Society organizes resources for the provision of basic and custom educational programming to member agencies on risk management topics, principles and practices. The services are organized to match expertise to specific audiences, care settings and desired topics.

Communications:

The Society produces routine and "as needed" publications and other media related to the management of the Program, as well as communications relevant to risk, coverage, claims and operational issues faced by our members.

Loss Control Inspection Services:

The Society currently contracts with Marsh Canada Inc. to provide loss control inspection services for all facilities.

Administration of Legal Retainer:

In April of 2000, the Society's role was expanded to include the administration of the legal retainer for public health, mental health and continuing care. As these community health services are now provided by health authorities (and not directly by government as was the case prior to 1997) the legal services of the Attorney General's office were no longer available to health organizations. Recognizing the need to distinguish between requests for risk management advice and requests for legal advice as well as noting the efficiencies that could be achieved through centralized access, the Society was asked by the Province to take on the role of administering the retainer.

BCHCRMS LOGIC MODEL

NEED

High Levels of Exposure to Risk Against Member Health Care Organizations (Property, Net Income, Personnel, and Liability**)**

INPUTS

People (Experience and Education), Funding, Delivery Systems

ACTIVITIES

Delivery of the Health Care Protection Program (the Program)

- Centralized Risk Consultation
- Education and Communications
- Loss Control
- Administration, Interpretation and Application of the Program
- Administration of Legal Retainer

OUTPUTS

- Risk Management Advice
- Risk Publications
- Risk Education (Seminars, Presentations and Workshops)
- Loss Trending
- Loss Inspection Services
- Self Insurance Program
- Referrals for Public Health, Mental Health, and Continuing Care Legal Advice

OUTCOMES

- **IMMEDIATE**
  - Member Awareness of Risk Management Issues and Loss Control Techniques
  - Risk Transfer Vehicle for Member Health Care Organizations
- **INTERMEDIATE**
  - Application of Skills
  - Development of Risk Management Programs Across Member Health Care Organizations
- **ULTIMATE**

Member Exposure to Risk Reduced

Strategic Context:

The Society's strategic platform is based on four crucial foundations:

1. A shared vision
2. A clearly articulated mission or purpose
3. A statement of organizational values
4. Strategic directions

Vision Statement:

The Society's Vision can be articulated as follows:

"To be the leader in risk management resources for BC health care."

Mission Statement:

The Society's Mission clearly identifies the fundamental purpose of the organization:

The Society is a publicly funded, non-profit organization with specialized knowledge and expertise which provides risk management resources for designated health care agencies in B.C.

The Society's fundamental purpose is to facilitate the provision of quality health care for the residents of B.C. by proactively working with health care organizations in:

- *The provision of value-added, professional and comprehensive risk management resources;*
- *The development of an information resource centre on risk assessment and risk management;*
- *The provision of an active advisory and educational service which focuses on risk control and quality;*
- *The dissemination of information on risk management issues to the health industry, including the Ministries of Health Services and Planning and appropriate provincial associations and other entities; and*
- *The administration of the Health Care Protection Program, including risk funding and claims management.*

Core Values:

The Society's core values define the Society's beliefs and the behaviours expected in the day-to-day interactions among staff members, and with its various stakeholders.

The Society's core values are as follows:

Leadership…
- Providing guidance and direction by exhibiting a strong commitment to our members, the Society and our individual employees
- Being fair and equitable
- Fostering initiative, proactivity, collaboration with our members, and supporting employees in proposing ideas and solutions

Integrity…
- Conducting ourselves in a sound professional and ethical manner, and supporting honesty and candor in others
- Providing consistent and reliable (accurate and thorough) advice to our members

Openness and trust…
- Fostering an environment characterized by sensitive, open and frank communication to create and enhance mutual understanding
- Trusting each other's actions and words as being genuine
- Proactively looking out for our members' best interests

Teamwork…
- Achieving organizational goals through cooperation and collaborative effort, while recognizing and cultivating group and individual skills

Mutual respect…
- Understanding that all employees can make a valuable and equal contribution to the organization
- Respecting (without judgment) the inherent dignity, beliefs and values of those we encounter
- Candidly expressing dissatisfaction in a constructive (as opposed to a personal) manner

Strategic Direction:

Fundamental to the organization's direction has been the development of strategic initiatives. In 2000, the Board of Directors of the Society undertook its first strategic planning exercises. The result was a strategic plan intended to provide the framework for the day to day operations of the Society in support of the ultimate outcome as described in the Society's Logic Model – the reduction of member exposure to risk.

The strategic plan is organized into six general categories with strategic directions for each:

- **Organizational Development**
  Further develop and maintain an organizational infrastructure (including resources, systems and staffing) to deliver core BCHCRMS services

- **Education**
  Provide leadership in the development and delivery of risk management education to the health care industry

- **Advisory Services / Communication**
  Provide leadership in the provision of Risk Management advice and resources to BCHCRMS members

- **Research and Evaluation**
  Enhance the Society's expertise and knowledge base in Risk Management through research and evaluation

- **Claims Management**
  Enhance and maintain the claims management process

- **Development of Risk Management Practices**
  Partner with BCHCRMS members in the development and enhancement of a risk management framework and process

Each strategic objective is then further enhanced with internal output related goals and subsequent methods and measures specific to those goals. The Executive Director reports quarterly to the Board on these internal goals and measures. Priorities for the current planning period are as follows:

Organizational Development: This remains a top priority. The data generated by the workload monitoring system, implemented January 2002, will be monitored and evaluated over the coming year.

Loss Trending: It is hoped that, with the possible addition of a Risk Management Consultant position in the near future, the Society will be in a better position to proactively identify loss trends and respond through specific education sessions and communications.

Education: The Society's website is in its final stages of development. We have received positive feedback from several of our risk management contacts who we asked to "test-drive" the site. (The delay in the announcements with respect to restructuring have meant that the resources of our Research and Systems Analyst have had to be diverted while we review the impact of re-regionalization on our systems and data requirements.)

Planning Context and Key Strategic Issues:

Core Services Review: The change in the provincial government in 2001 has meant a significant change in the Society's operating environment. While the Society has not yet gone through the formal Core Services Review process, it is anticipated that this will likely be undertaken at some point in the near future. Key to this review will be the means by which the Program is delivered. Options which have been raised and which will be the subject of future discussion include:

- Maintaining the status quo
- Expansion of mandate
- Partnering with other organizations for alternative service delivery models

Of significance is that the Program itself (ie the Health Care Protection Program as a risk financing mechanism) has passed the Core Services Review process as part of a review of the Risk Management Branch of the Ministry of Finance (RMB). Through agreements and funding transfers between the Society and RMB, RMB is responsible for the actual payment of claims as well as resource allocation related to claims management.

The Society continues to operate on the assumption that the status quo will be maintained, however, extensive discussion will take place on a pro-active basis regarding alternatives as the Core Services Review moves forward.

Board Structure: The change in government has also brought about significant changes in the way that the Society has traditionally dealt with the appointment of Board members. The new Board Resource and Development office has implemented appointment guidelines which require a significant amount of assigned resources prior to appointments being made. While this in itself is not problematic and, in fact, is welcomed in the sense that Board composition will be diverse by design while remaining true to its needs, the Core Services Review process has meant that no board member appointments have been made since the middle of last year.

For our own board as well as many of the boards of our members, this has meant confusion and concern as board member numbers have dwindled and the threat of the loss of expertise mounts. The Board of the Society continues to perform its function, although we currently have three positions for which we have requested extensions in order to deal with the more complicated process of formal appointments, one vacant position, and two positions whose occupants are no longer representatives of health care organizations in BC due to health authority restructuring. In order to deal with the potential loss of the RMB representative on the Society's Board and its Executive Committee, Society by-laws are in the process of being modified.

It is anticipated that once the Board Resource and Development office is able to commit to the appointment process and restructuring in both the health care and the public sector has been finalized, a strong, committed and focused Board of Directors of the Society will remain.

Financial Implications: Given that the Society's sole source of funding is from the Ministry of Health Services, the implications of limitations on funding levels are of concern. At present, we are moving forward on the assumption that the Society's funding will be restricted in the same manner as other health-funded organizations. This means zero increases in funding for the next three years (with the exception of funding for the indemnity pool which is assumed will be fully

funded based on the actuarial analysis). While our budget will likely not increase, the reliance on our services will continue to increase, particularly as our member organizations explore their own service delivery models and look for creative ways in which to deal with their own budget limitations.

The challenge faced by the Society will be to look at realizing efficiencies in the way in which services are provided. This will involve planning our educational endeavours through consultation with the Society's Board of Directors and our health care members. It will involve prioritizing projects based on resource requirements and potential efficiencies gained. It will also involve reviewing our operations from an internal perspective to ensure that, structurally, we are best set up to monitor and handle our workload volumes.

Changes to our member's financial picture will also have a significant, direct impact on the Society and its goals and objectives. As our members struggle to deal with their own financial pressures it is likely that risks inherent in the delivery of health care services will increase. As risks increase, it is foreseeable that claims under the Program will also increase. The implications are a direct straining of the Society's resources as we work to help our members deal with their (increased) risk exposures, as well as an impact on the actuarial analysis for the indemnity funding pool as claims trending becomes apparent.

One of the ways in which we can work towards minimizing this particular risk is to maintain a close working relationship with our members. Prior to the recent restructuring, BCHCRMS had 102 members consisting of 744 physical sites. After restructuring we have 55 members although the number of physical sites and the extent of the operations provided remain unchanged to date. The change in the number of members does not mean that the number of issues requiring attention will decrease. It will mean, however, that the Society will have the opportunity to reach these organizations at a higher level, ensuring and supporting solid risk management practices throughout an organization.

Government Downsizing: At the time of writing, this is one of the most significant "unknown" areas for our organization – the effect(s) of the anticipated government downsizing. One of our key stakeholders is the Province of British Columbia – relationships have been developed and cultivated to ensure that the Society is kept abreast of issues from a provincial perspective, and we strive to ensure that government is kept abreast of the risk issues facing health care organizations. While downsizing will not have any direct impact from that perspective, it may mean that resources are no longer available to our organization and/or to our members. The effect for the Society in this regard, is that the flow of information will likely change. Whenever such a massive change occurs, risks increase as policies and procedures are no longer clearly understood or followed.

Role: Historically, the Society's role has been to provide risk management services. Over time, however, the complexity of issues facing the health sector (and our members in particular) has increased and, in many cases, risk management has become blurred with purely legal responsibilities in a complicated legislative framework. Legislation such as the *Freedom of Information and Privacy Protection Act* (FOIPPA), section 51 under the *BC Evidence Act,* and the more recent changes to the *Adult Guardianship Act* have dictated that the Society focus some of its energies in assisting our members in understanding the risk implications of such legislation. It is important that, in order to effectively manage our resources internally, we bring the focus back to the provision of risk management advice.

As we continue with our work toward developing an internal organizational structure that promotes efficiency, integrity and teamwork we will work to review and, if necessary, redefine our role.

Enterprise Wide Risk Management: Clearly defining our role will be particularly important as we consider the implications of Enterprise Wide Risk Management (EWRM). EWRM moves from the traditional hazard-based approach to risk management and, instead, seeks to look at risk management from an opportunistic perspective, bringing the fundamentals of risk management into the governance process. As the Province moves to an EWRM model within government, crown corporations and other government-related organizations (health authorities in particular) will also need to be considering the same approach. The Society must be pro-active in EWRM and we are preparing to embark upon our own internal training in order to act as a resource and educator for our member organizations.

Goal: Provide leadership in the provision of risk management services				
Objective: Increase internal reliance and capability of members				
Strategies	**Measures**	**Performance Targets**		
		2002/2003	2003/2004	2004/2005
1. Provide members with easier access to pertinent educational information by making information available through enhanced website	• Priority topic list developed for input into website	Website information updated	Website information updated	Website information updated
	• Monitor website usage	Baseline usage established	Increased use by 10%	Increased use by further 10%
	• Member satisfaction with website design	Survey at end of planning period	Increased satisfaction & awareness	Increased satisfaction & awareness
	• Member assessment re: usefulness and adequacy	Survey at end of planning period	Increased satisfaction & awareness	Increased satisfaction & awareness
2. Increase effectiveness of education sessions provided by the Society by targeting education sessions to high level authority within an organization (gear to "training the trainers")	• Educational targets developed & prioritized (based on loss trending) at Annual Loss Control Committee planning meeting	Annual plan developed	Annual plan developed	Annual plan developed
	• Number of education session(s) provided to target audience	At least 35% of all education sessions	At least 50% of all education sessions	At least 65% of all education sessions

Goal: Provide leadership in the provision of risk management services				
Objective: Increase internal reliance and capability of members				
Strategies	**Measures**	**Performance Targets**		
		2002/2003	2003/2004	2004/2005
3. Assist members in developing organization-wide risk management programs by promoting education involving Enterprise Wide Risk Management (EWRM)	• Internal Board and staff education sessions run	Ongoing internal education	Ongoing internal education	Ongoing internal education
	• Education sessions provided to members	Framework developed for EWRM rollout	Preliminary education sessions run for the 6 health authorities	Remainder of member health organizations receive educational session
	• Member organizations are familiar with EWRM as risk management model		Establish baseline by end of planning period -- Percentage of members using EWRM model	Increase percentage of members using EWRM model.

Summary Financial Outlook 2002/03 - 2004/05

Following is budget information as discussed and approved by the Society Board of Directors for submission to the Province as summary information.

BUDGET INFORMATION:

($millions)	**2001/02 Revised Forecast***	**2002/03 Proposed****	**2003/04 Proposed****	**2004/05 Proposed****
Total Revenue	16.303	16.851	18.292	19.912
Admin. Expenses	1.107	1.107	1.107	1.107
Indemnity Expenses (Purchases from the Province)	15.296	15.744	17.185	18.805
Total Expenses	16.403	16.851	18.292	19.912
Operating Margin				
Net Income (Loss)	(0.100)	0	0	0
Capital Expenditure Limits	0.010	0.010	0.010	0.010
Dividend /(Subsidy)	0	0	0	0

**Latest forecast*
*** Approved by Board*

Key Assumptions and Measures to Achieve:

Key assumptions within the coming years include the following:

The assumption is made that the MoHS will fully fund the operations of the Society and the indemnity amounts (as determined through actuarial reports). During the fiscal 2001/02 the MoHS requested that, with respect to operating expenses (including staffing, administration, travel and office expenses), the Society utilize $0.1M in accumulated surplus. An assumption is made that the MoHS will restore funding of this $0.1M in 2002/03. Proposed funding for Society operations (salaries & benefits, operating expenses, and amortization) remains constant for the period 2001/02 to 2005/06, at $1.107M. The increases relate solely to the indemnification fund; contributions for indemnification increase from $12.772M in 2001/02 to $18.805M in 2005/06. (It should be noted that the Ministry of Health Services only has $9.703M in its 2001/02 base budget for the BCHCRMS and that a decision regarding funding of the liability indemnification fund and property pool has been deferred until later in the fiscal year.)

Year 1 2002/03

Assumes no changes to the Society or to the delivery of the Health Care Protection Program resulting from the Core Services Review process. Through current administrative budget levels, the Society anticipates expanding to 8.5FTEs prior to 2002/03 in response to current workload demands. It is anticipated that any increase in workload arising from the anticipated restructuring of health authorities can be managed within such staffing levels. Proposed figures also assume the continuation of the current compensation structure which is based on the government classification system. Upon completion of the Core Services Review process, it is anticipated that the Society will work with the Risk Management Branch of the Ministry of Finance to secure lease space which will allow the two organizations to work in closer physical proximity, creating maximum shared efficiencies.

Year 2 2003/04

A comprehensive workload tracking system and an enhanced website will have been fully operational for a year, allowing the Society to accurately assess staffing levels and organizational needs. Maximum utilization of these tools will allow the Society to meet increased demands for services within the framework of the projected zero increase in administrative costs during fiscal 2003/04.

Year 3 2004/05

As computer equipment ages and the full impact of Microsoft's decision not to make operating system and other software upgrades available, an assessment of the Society's equipment and software needs must be undertaken. In light of a further zero increase in the administrative budget, cost implications / benefits of leasing computer equipment will need to be considered along with any potential efficiencies to be gained in assuming closer physical proximity with the Risk Management Branch of the Ministry of Finance. Service levels to member organizations will remain constant and responsive throughout.

Concluding Remarks:

Ken Fyke, in the Saskatchewan Commission on Medicare Report titled *Caring for Medicare, Sustaining a Quality System* (Fyke, 2001) identifies quality assurance as a fundamental cornerstone in the road to a healthy medicare system. Fyke quotes Dr. Donald Berwick, US quality assurance expert, as follows:

> *{…} the service levels of much of health care would frankly be an embarrassment in any other human service industry. Long waits, anonymity, isolation, embarrassment, confusion, non-response, physical discomfort, and infantilization are all common characteristics of health care settings from patients' and families' point of view, excused and permitted socially perhaps only because of durable and justified trust in the underlying samaritanism, skill, and professionalism of the people who work in those*

> *service-poor systems. In fact, patients more often sympathize with and excuse the doctors and nurses than blame them or complain.* [1]

Fyke goes on further to state that:

> *The consequences are not merely inconvenience. According to the landmark US Institute of Medicine Report, clinical error is among the leading causes of death in that country. It kills more people than breast cancer, traffic accidents, or AIDS. If we apply the American estimates to Saskatchewan, one person a day dies because of clinical error. Even the possibility that this is the case – and it is more probable than unlikely – should focus public and provider attention on the urgent need for quality improvement.*

The Prichard Report on Liability and Compensation in Health Care (Prichard, 1990), indicates that non-commercial insurance arrangements, like HCPP, contribute to reduced costs and the promotion of high quality health care. Prichard recommended that these programs be continued and strengthened across Canada. Continued poor claims experience in the field of medical malpractice has recently prompted the industry's largest insurer (the St. Paul) to withdraw from the U.S. marketplace. More and more, organizations will be forced to consider the benefits of a comprehensive risk management program including self-insurance programs such as that provided by HCPP (or similar risk financing mechanisms), in order to help stabilize the environment in which they operate. Stability brings with it predictability which means that the focus can be turned to loss control and prevention. As patterns and trends emerge, areas in which changes can be made, efficiencies can be achieved and risks can be appropriately managed can be more easily identified.

The BC Health Care Risk Management Society provides resources and expertise to its member entities in the implementation and management of comprehensive risk management programs. The net effect is a win-win for all: reduced costs to the health care system and, through the quality assurance and improvement process (a fundamental part of a comprehensive health care risk management program), increased quality of care for patients.

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[1] Berwick, D. 1998, *As Good As It Should Get: Making Health Care Better in the New Millennium,* National Coalition for Health Care, Washington, DC