

***Integrating
health
risk - group
health
or workers'
compensation -
into the
corporate
risk profile***

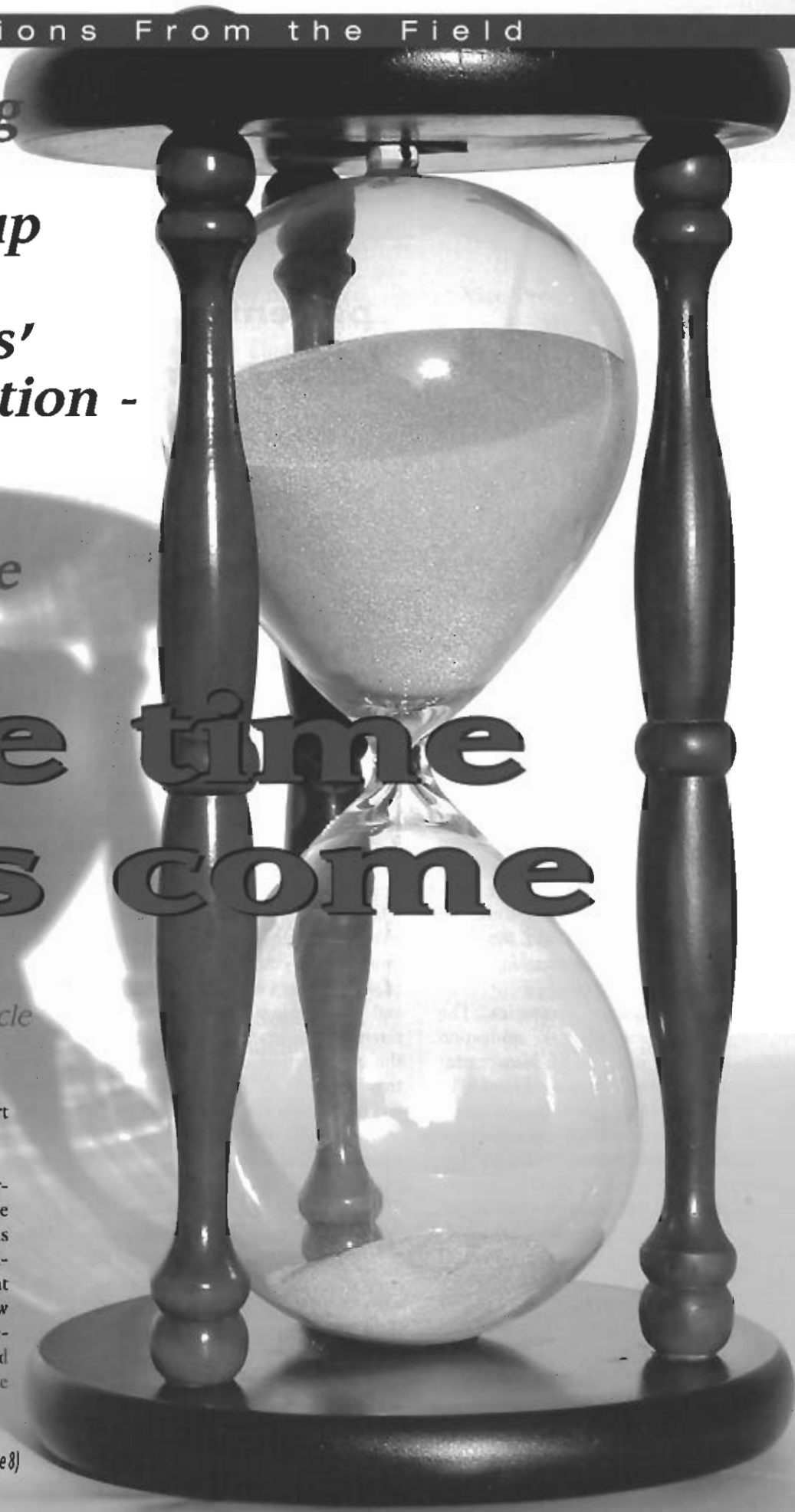
The time has come

Part 1 of a 2 part article

By Ted Connally, Robert E. Bossert
and Andrew R. Reese

The International Federation of Risk and Insurance Management Associations (IFRIMA) recently posted a position paper on its' website at www.ifrima.org explaining how and why enterprise risk management should be implemented across every organization. The paper is well worth reading.

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The paper puts forth the idea of “best practices” or guidelines suggesting implementation of a plan congruent with the culture and mission of the organization. This includes:

1. **Risk identification and assessment.** This step includes identification of the significant risks that face the organization including development of risk registers and risk mapping along with both quantitative and qualitative analysis of the exposures facing the organization.
2. **Risk mitigation strategies.** The development of risk mitigation strategies is key to the management of risk issues. Action plans need to be included in the overall business plans of the organization to ensure successful implementation.
3. **Residual risk transfer.** Once all risk mitigation strategies have been evaluated and implemented as appropriate, the residual risk has to be effectively managed through a combination of insurance, hedging and other alternative techniques ensuring the best possible coverage at the lowest possible transfer cost.
4. **Risk reporting.** The organization requires the ability to report on risks internally, specifically to senior management and the Board of Directors.
5. **Monitoring.** This part of the process is designed to ensure adherence to and effectiveness and relevance of policies and procedures relating to risk management.”

This call for a clear approach to total risk management comes at a time when most major corporations and many smaller ones as well are making difficult and far reaching decisions about risk retention, insurance approaches, off shore alternatives and integrated captives. In short, the concept of total risk and methods to attempt to “pool” it are more realistic than at any point in recent business history.

The time has come to strip away the superstition and mystique of health, accident, and illness incidents. The time has come to place the actuarial calculation where it belongs - estimating imponderables - and bring to the problem the management and analytical techniques companies use on everything else associated with risk. The barriers, mathematical, technical and regulatory, including

HIPAA, are simply **no longer** a real deterrent. It isn't **rocket science** anymore, and it isn't **statistical guesswork** either. Let's take a brief look at the knowledge base that is coming together to enable the maturing of health and accident risk management.

Behavior Modeling

Behavior modeling is now being looked at as a potential source of predictive information by many health care benefits people. What's interesting is that there is nothing new here. Behavior modification is now **being** tossed around as a great new approach for health maintenance and rehabilitation compliance - absolutely nothing new here either, other than the fact that the isolated and insular world of health care benefits and workers' compensation just discovered it.

The fact of the matter is that the multivariate analytical techniques employed by decision scientists in everything from logistics to quality assurance and product reliability easily handles behavior modeling. Research with which Mr. Connally was deeply involved during the mid 90s **established** organizational behavior profiling and organizational risk profiling as

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an important corporate management tool - and far more precise than actuarial tables. A remarkably complete bibliography on the subject can be seen on the website of RMCg at <http://www.river-tonmanagementconsultinggroup.com>.

Social scientists and behavioral researchers have known for years how to model and modify behavior; the tools and techniques to do it predicatively on an organization-wide basis have been around for a decade. The likelihood of accidents and injuries specific to any individual work group and work site, together with the steps to prevent them, also unique to the work group and work site is a solved problem. Use of the tools is limited only by the lack of breath that goes with insular thinking by specialized benefits and safety managers. Knowledge and practicality are not a prohibiting factor and haven't been for a long time.

Similarly, the ability of behavioral researchers to identify and predict risk behaviors and change them in individuals has also been around for a very long time. The difficulty in a corporate setting has always been the establishment of a workable incentive/reward program. In this area, however, the fault is not narrow thinking by the human resources and compensation specialists. It is generally the lack of a serious committee by senior management sufficient to compel commitment throughout the organization. There are some companies who have done far better than others, although not many. However, to paraphrase Henny Youngman, if it hurts when you go like that - sooner or later you won't go like that.

If we can elevate individual behavioral risk and organizational behavior risk into the total risk profile, sooner or later we'll make the point that there is a great deal of very exact science here. Of course, the key element of information has always been a people problem - the issue of privacy and the extent to which an employer can go in fostering versus compelling disclosure. But the solution to that one is here now as well. Let's take a look at it.

Electronic Medical Records

In an article from the July 12, 2004 *AMNews*, Commentary: By Leonard J. Marcus, PhD, and Barry C. Dorn, MD, *AMNews* contributors, some remarks associated with the development of the electronic medical record are going to prove to be prophetic. Quoting from the article: "Here is where computer technology could offer an important new breakthrough. Recently, we facilitated a summit meeting of leading government officials, health care professionals and businesses convened in Washington, D.C., by the Markle and Robert Wood Johnson foundations. The meeting's purpose was to advance development of a universal electronic health record that could bring medical charting and interactions into the 21st century. By digitizing patient care information, it is possible to allow our computers to accomplish an enormous volume of work now conducted, with paper and pencil, inefficiently and with numerous safety and quality drawbacks.

Though the systems are not yet in place, it could now be technologically possible for patients on a wide-scale basis to enter symptoms, complete medical forms, and access medical information via their computer. And beyond that, medical histories could be linked to medical research that is continuously updated, checking for interaction effects immediately even as a medication is prescribed."

They went on to say that "there are certainly many pragmatic problems and complex policy issues associated with universal adoption and implementation of this new technology, including privacy considerations, the need to assure for human interaction in health care service, and financial disincentives to investing in new and expensive programming and hardware." Once again, insular thinking. The software, hardware and know-how are indeed currently available.

A number of companies either have or are developing products for physician practices where a reliable infrastructure is coupled with an electronic medical

records product. There are a number of proven applications technology packages to integrate these records into systems that handle medical billing and collections, transcriptions and many other processes in the practice of medicine through integration and automation. Bob Bossert's company is a leader in that field. His electronic medical record allows a physician to virtually eliminate the paper in their office, while not changing the fundamental way physicians interact with their patients.

Digitizing paper records allows a practice to have immediate access to existing patient files from any desktop in the office. By storing all medical records in a database, there is never a disconnect between a file system and a database pointer. The medical record is easily queued to others within in the practice for review and any follow-up actions that may be required. Any type of document or file can be stored in the record from audio to MRI data. Mr. Bossert, Mr. Reese and Mr. Connally are currently working to integrate this technology into the case management process.

Quite simply, the technology, hardware and software, is available now to make a vast range of health care data available on any specific group of employees and dependents. It can easily be turned into a specific predictive model for health outcomes and change templates not unlike Disease Management programs. That alone will take health care cost management to the same level of exactitude as work related injury and illness can be taken to. The only real obstacle left to solve is getting those who would rather have meetings to complain about costs together with those who can solve the problems now.

Again referencing Henny Youngman, corporations are about to stop going like that - the price tag is now sufficiently staggering that the call for change is clarification. If we don't get our collective health care benefits and workers' compensation act together, better educated, broader thinking people will take the turf away from us very fast indeed. Superstition,

mystique and actuarial tables are not going to keep analytical and predictive management tools away forever. It is possible now to take accident, injury, health and illness risk to the same level of sophistication as product reliability and quality assurance and that means elevating it to equal status in the manageability of corporate risk profiles.

The risk management environment is increasingly ready to facilitate health and safety into the organization risk profile world. The idea of 24-hour risk, the integration of group health and workers' compensation, is just about doable now. Regulations are beginning not only to permit but also to encourage steps in that direction in the world of Captives. The distinctions are rapidly being reduced to an accounting problem. Pinning down outcomes so that the only significant unknowns are the truly unpredictable catastrophic can be done now. Coincidentally, the same developments in electronic medical records and database management applications are going to ultimately reduce the costs of non-essential time and money wasters. The *AMNews* article referenced above deals with that point too and the position is well taken.

Privacy and Security

And now we must deal with the largest of the red flags associated with individual health information - privacy. Actually, the mythology of privacy, invasive employer practices, political risks and regulatory barriers is also the largest red herring in the mix. The methods and procedures to comply with privacy requirements are no more difficult than a run of the mill industrial secrecy application. In fact, the comprehensive security requirements, both regulatory as well as for vitally important corporate confidentiality, are well established and far exceed the limited requirements for health information.

The ability to safely and securely assemble and maintain highly sensitive risk data is not only state of the art, but state of the industry as well. There are some

creative and innovative new approaches taking place that make it possible for virtually any organization. The skills, capabilities and technology conventionally viewed as scarce, expensive and largely outsourced, are far more accessible and far more cost effective than our industry realizes. It is a solved problem. **Part 2 of this 2 part series will deal with that subject in detail. Tune in next month.**

Observations From The Field is a commentary on items and issues followed by *Case-Manager.net*, edited by Gerald E. Connally, Chief Operating Officer. It is published periodically and distributed to a select list of clients and friends with whom members of our staff routinely exchange information and points of view. Comments, reactions, and even criticisms are welcomed. Feel free to call or write to discuss anything of interest or to obtain further information.

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