COFFEE TALK - DIRECTORS SERIES
A HEALTH INDUSTRY SEMINAR SERIES

What Directors Need to Know: Enterprise Risk Management

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AGENDA

1. Duties and Responsibilities of Directors
2. What is Enterprise Risk Management?
3. Risk Governance vs Management
4. Applying an Enterprise Risk Framework
Duties and Responsibilities of Directors

As they say in board meetings, "Trust me on this." I've never been to a board meeting.
Duties and Responsibilities of Directors

- **Generative**
  - Framing questions;
  - Shifting the cognitive paradigm

- **Strategic**
  - Prospective and Reactive

- **Fiduciary**
  - Oversight and Policy
Duties and Responsibilities of Directors

• Fiduciary – oversight/stewardship of operations and assets
• Strategic – priorities and strategies re: resources, programs and services
• Generative – underlying purpose and values; long term sustainability
Duties and Responsibilities of Directors

Industry challenges driving ERM:

• A highly regulated and prescriptive environment
• Direct links to the Board for key areas of operational performance
• Fiduciary obligations extend beyond the corporate walls
• Significant dependency for funding
• Product quality has direct consumer impact
• An environment of absolute transparency
What is Enterprise Risk Management?

Enterprise Risk Management (“ERM”) is defined as “a process that focuses an organization on the important risks to achievement of its overall objectives and then measures the degree to which the organization is successful in controlling these risks.”
What is Enterprise Risk Management?

• Board and Corporate responsibility for risk
• Focus is on achieving corporate objectives
• Top-down awareness and bottom-up process: Board and Senior Management
• Risk identification and reporting
• Risk management and tolerance
• Creating an ERM culture
What is Enterprise Risk Management?

• Addresses all types of risk across the organization

• Intended to aggregate and evaluate risk information in combination with determining probability and impact on the organization's objectives as a whole

• NOT the only risk assessment process, does not replace other risk management processes
What is Enterprise Risk Management?

ERM Framework:

- **Type of Risk**
  (Reputational, Strategic, Operational, Legal)

- **Category of Risk**
  (Quality of Care, Financial, Regulatory, Assets/Infrastructure, Business Continuity, Staff)

- **Impact**

- **Likelihood**

- **Mitigation Plan**

- **Risk Tolerance**
Risk Governance vs Management

• Alignment of Board responsibility for risk oversight with Management responsibility for risk management
• In the health sector this distinction is becoming blurred because of direct operational responsibilities being placed with the Board
Risk Governance vs Management

Board should:

• Have understanding and oversight of key risk exposure and Management's intended response
• Ensure appropriate programs and processes in place to protect against risk
• Set organizational standard for risk appetite/tolerance
• Engage an enterprise risk lens as part of Board decision-making
Risk Governance vs Management

Management should:

• Identify, mitigate, manage and monitor risks to the organization on day-to-day and ad-hoc basis
• Report to the Board material risks with mitigation and management strategies
Applying an Enterprise Risk Framework

• Develop ERM reporting schedule and templates (risk register, dashboard, briefings)
• ERM Board reporting does not need to be resource intensive, can streamline and create efficiency in Board engagement
• Key is to adopt a consistent procedure to identifying and communicating risk
Applying an Enterprise Risk Framework

Example: Physician Credentialing

• ERM approach to credentialing goes beyond asking if the physician is competent and qualified to consider the needs and capabilities of the enterprise and the community:
  • manpower
  • resources
  • facilities
  • demand
Applying an Enterprise Risk Framework

**Example: Corporate Integration**

- Legal mandate to identify integration opportunities
- Integration may include alliances, shared services/management, merger
- All opportunities assessed through an enterprise lens to determine whether and how to proceed
- Consider impact on patients, staff, finances, liability exposure, relationships with regulators, program sustainability etc.
- Use contract terms as a risk mitigation measure to address identified vulnerabilities
Wrap Up

• Directors have a duty to advance the best interests of the organization and this requires effective risk oversight

• Risk analysis has evolved from reactive review/action to proactive management/mitigation

• ERM involves risk analysis through an enterprise lens considering impact, likelihood, mitigation and tolerance

• Implementation requires alignment of Board and Management roles and responsibilities

• Consider ERM education and tools to enable effective implementation of ERM culture and process
Questions?

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