Risk and Contingency Planning

A Vital Component of Your ICD-10 Program

Today's Topics

• Key Terms
• Why is Risk Management Critical for ICD-10?
• Effective Risk Management and Best Concepts
• ICD-10 Risk Management Examples
• Don't Forget Contingency Planning!

Key Terms

• **Risk**: An uncertain future event or condition that, if it occurs, has a negative impact on a project's objectives. Project Risk is always in the future.

• **Issue**: A risk that has become a reality due to an event called a trigger occurring in real time. Issues must be resolved or their impact to the project will be fully realized.

The risk environment: the dog and its proximity or access to a human. The risk potential: the dog bite.
Key Terms

• **Risk Management**: How the project manages its exposure to project risk.
  - Assessment of specific risk potentials occurring;
  - Analysis of the project impact of specific risks occurring;
  - Management of the project activities to provide the highest mitigation of potential risks for the lowest expenditure of project resources.

• **Contingency Plan**: Pre-defined action plan that is implemented if an identified risk occurs.

Risk Management is Critical for ICD-10

ICD-10 Challenges and Implications for Risk Management

Your ICD-10 Risk Management Program must be tuned to address the challenges of ICD-10
ICD-10 Challenges and Implications for Risk Management

• Scope & Program Complexity
  - **Challenge**: Broad scope of process, financial, health care and technical risks
  - **Implication**: Far reaching involvement of business, health care and IT participants

• Time Pressure
  - **Challenge**: Compliance deadline, anticipated duration of software testing
  - **Implication**: More inherent risks as we strive to meet the deadline

• Technical Complexity
  - **Challenge**: Deceptively simple technical design of ICD-10 masks potential technical and software implementation risks
  - **Implication**: Ensure engagement of architects and other subject matter experts early in the design phases and/or perform periodic reviews

• Personnel
  - **Challenge**: Staffing challenges (new team members joining with long learning curves, scarcity of qualified staff)
  - **Implication**: Don’t overlook personnel risks; consider contingency planning; develop effective onboarding program

• Business Process Impacts (Financial)
  - **Challenge**: Potential for significant financial impacts to the organization from use of ICD-10 codes; potential for cost overruns during the transition
  - **Implication**: Aggressive Risk Management; use Risk Management statistics to highlight areas for budget review

• Business Process Impacts (Health Care)
  - **Challenge**: Potential impacts to patient care and health care data management
  - **Implication**: Ensure patient safety is built into risk management
Risk Management Best Concepts

• Ensure a “proactive approach” to Risk Management
  - Begin the risk management activities early
    » During project charter & initiation
  - Risk management is iterative throughout the project

• Ensure solid risk management processes
  - Engage risk owners early
  - Train team on risk management processes
  - Provide for multiple forms of risk identification activities
  - Provide feedback to risk owners and encourage frequent risk discussions

Risk Management Best Concepts

• Commitment & Candor
  - Set time to discuss risk each week
  - Establish a collaborative environment
  - Reassess your risks often to:
    » Determine if the risk is still valid or has it become an issue
    » Determine if risk environment has changed: probability and impact
    » Determine effectiveness of risk mitigation strategies
    » Determine change in risk ownership
    » Determine coverage of risk trigger monitoring

Risk Management & Primary Constraints

• Ensure risk management aligns with other primary constraints
  - Scope, Time, Cost and Quality

• “Fit-for-Use” Deliverables
  - All risks must be tied back to the production of “fit-for-use” deliverables
  - No deliverables – no project, no risks!!
Risk Management & Primary Constraints

- Risk is the fifth constraint
- Changing the others will usually impact the risk constraint component
- Examples
  - Increasing scope without increasing time/cost or changing quality
  - Increases risk of failure

Risk Management Process

- Determine risk environment
  - Ensure understanding of “Risk Environment”
  - Ensure understanding of “Risk Event”
  - Risk tolerance vs. risk avoidance
- Identify potential risks through risk tools and techniques
- Assess risks (quantitatively/qualitatively)
- Prioritize risks using impact analysis
- Plan & implement risk mitigation and contingency plans
- Monitor & manage risk environment to reduce risk impact

Effective Risk Management Tools and Techniques

- Tools
  - Risk Register and Issues Log
  - Risk Matrix
  - Watch List
  - Risk Categories
- Techniques
  - Expert interviews, lessons learned, past projects
  - Planning meetings
  - Root cause identification and analysis, risk environment analysis
  - Brainstorming
  - Urgency assessment, risk reviews, risk audit, etc.
Effective Risk Roles

<table>
<thead>
<tr>
<th>Project Manager</th>
<th>Risk Team</th>
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<tr>
<td>• Owns the Risk Program</td>
<td>• &quot;Trusted Advisors&quot;</td>
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<td>• Provides the “tone at the top” culture</td>
<td>• SMEs (subject matter experts)</td>
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<td>• Establishes a well defined risk management process (framework)</td>
<td>• Risk Owners and Risk Action Owners</td>
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<td>• Provides overarching risk oversight</td>
<td>• Conducts risk assessments</td>
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<td>• Manages the risk exposure</td>
<td>• Develops risk mitigation plans</td>
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<td>• Develops escalation process</td>
<td>• Good understanding of the project</td>
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<td>• Ensures resources available for risk team</td>
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<td>• Decides which risks need contingency plans</td>
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Risk Audits
Examines and documents the effectiveness of risk strategies in dealing with identified risks and their root causes, as well as the effectiveness of any risk mitigation and/or contingency plans.

ICD-10 Risk Management Example (5010 Transport Not Ready in Time)

• Determine risk environment
  - Gather data: casual factors, root causes
  - Identify primary constraints for your organization: scope, time, cost, quality
  - Identify key stakeholders & organizational risk tolerances within your organization

• Identify potential risks through risk tools and techniques
  - Expert interviews
  - Lessons learned, past projects

ICD-10 Risk Management Example (5010 Transport Not Ready in Time)

• Develop the risk event statement
• Assess the risk both quantitatively & qualitatively
• Prioritize ICD-10 risk(s) based on 5010 not being ready
• Plan risk mitigation strategies for highest risk potentials
• Monitor and management risk triggers and mitigation plans
Don’t Forget Contingency Planning!

Identifying Risk
Managing Risk
Planning for Failure

Key Terms
Contingency Plan: Pre-defined action plan that is implemented if an identified risk occurs.

Contingency plan to replace torn pants could include the purchase of a new suit or repair of the existing pants.

The risk environment: the dog and its proximity or access to the human.
The risk potential: the dog bite.

The dog bit the man (trigger). The bite is the issue.

Don’t Forget Contingency Planning!

- The best Risk Management program won’t eliminate the risks associated with ICD-10
- Some degree of failure is likely to occur
- The potential impact of failure may warrant the development of a Contingency Plan
  – Tolerance for failure varies by organization and function within the organization
  – Contingency plan is appropriate when your risk mitigation plans have been exhausted and the probability and impact of failure remains intolerable for your organization.
Getting Started with ICD-10 Contingency Planning

• Ensure effective Risk Management Program is in place
  • Build support for Contingency Planning
    – Management
    – Key internal stakeholders (e.g., Enterprise Risk Management, Business Continuity Planners, Business Process Owners)
    – Key External Stakeholders
  • Inventory current assets
    – Business Continuity Plans
    – Alternate suppliers
    – Previously developed Contingency Plans

Getting Started with ICD-10 Contingency Planning

• Identify potential failure scenarios
  – Inherent risk associated with business processes
  – Risks associated with ICD-10 conversion approach (e.g., pace, resources, testing interdependencies, etc.)
  – Risk mitigation approach unsuccessful
• Brainstorm potential scenarios … what could go wrong?
• Determine magnitude of impact should the failure occur (H/M/L)
• Determine likelihood of failure (H/M/L)

Getting Started with ICD-10 Contingency Planning

• Your organization’s approach will depend on its tolerance for failure and ability to invest in Contingency Planning

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<tr>
<th>IMPACT of FAILURE</th>
<th>LIKELIHOOD</th>
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<tr>
<th>Must Develop and Test Contingency Plan</th>
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<td>No Action</td>
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Developing Your Contingency Plans

ICD-10 Contingency Plan Example

ICD-10 Contingency Plan Example

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<th>HHS Changes the Date for ICD-10 Compliance</th>
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<td>Failure Scenario</td>
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<td>Implementation Trigger</td>
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| Contingency Options | 1) Modify solution design now to permit frequent/easy change in compliance date  
2) Develop utility now to implement fix at the time of announcement  
3) Plan for cessation or manual processing to occur while changes to systems are made |
| Contingency Plan | Option #2 (Develop utility now to implement fix at the time of failure) selected based on lower actual and opportunity cost; investment will be a “throwaway” expense |
| Learning Points | Significant lead times may be necessary to plan for and implement contingency plans; involve IT portfolio management to ensure cost/benefit is understood |

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| Contingency Options | 1) Use online training alternative  
2) Redeploy internal SMEs from current roles to become full time trainers |
| Contingency Plan | Enter into a contract for ICD-10 software product, to be executed if Implementation Trigger occurs |
| Learning Points | Ensure adequate lead time to evaluate, install and test software; involve legal/contract teams as appropriate |
Testing Your Contingency Plans

- Table-top exercises
- Live exercises
- Third-party validation

Maintaining Your Contingency Plans

- Reinforce business owner accountability to ensure viable Contingency Plans exist
- Mandate routine updates
- Ensure mechanisms are in place to monitor the triggers that have been identified for each Contingency Plan

Questions?
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