

Banker Commentary

By Amy Hayman, Senior Vice President

Managing Risk by Benchmarking

In an operating environment where there is a reliance on government reimbursements it is important to identify areas within your operations that may have room for improvement. Operating efficiency can be accomplished through benchmarking operational data, which will help determine where risks may be lowered and improvements achieved. Once the specific risks are identified, best practices may be developed to improve performance.

A measurement performance system gives an organization a rational basis for selecting what business improvements to make first. Data provided by a measurement system supports better and faster budget decisions, which may reduce risk. A measurement system also provides for accountability. Although many factors contribute to an organization's success, risk management is a key component. Effective risk management controls threats to an organization and helps the organization meet its mission and goals.

Accreditation for many organizations is a first step towards identifying and managing risks through benchmarking. In many markets, residents or patients will look for accreditation as a sign of quality, which may give them confidence in choosing a provider. For residents, accreditation is evidence that an organization is committed to encouraging feedback, continuously improving services, and serving the community. For organizations that are looking for a model that will help them begin to measure their operational risks, accreditation gives providers a framework to start measuring and improving performance. The process that organizations go through for accreditation leads many to improve the operating efficiencies and quality of their services.

To help ensure organizational success, accreditation standards such as those from CARF-CCAC, an organization that accredits CCRC's, specifically address practices designed to manage organizational risk. CARF – CCAC identifies in their standard risk management process seven sequential steps that, once completed, become the structure of an organization's risk management plan. The steps are as follows:

1. identifying loss exposures;
2. evaluating and analyzing loss exposures;
3. identifying how to rectify identified exposures;
4. implementing actions to reduce risk;
5. monitoring actions to reduce risk;
6. reporting results of actions taken to reduce risks; and

7. including risk reduction in performance improvement activities.

8. Continuous performance improvement in risk management requires periodically repeating these seven steps.

As you begin the process of benchmarking, it is important to determine what is currently being measured, which will help assess if a good cross section of information from all areas of operations is being measured. Measuring across all areas of operations will help you more quickly identify areas that need improvement.

Benchmarking helps identify areas that may need further analysis. Benchmarking helps create more value for stakeholders by identifying and reducing or eliminating inefficiencies within an organization. Benchmarking allows organizations to identify risks, but, in order to manage and reduce these risks, the implementation of the action plan should be tracked to make certain that the efforts and resources put forth by everyone create added value to the organization.

The detailed plan will help your organization operate more efficiently and improve customer satisfaction, while reducing cost and increasing quality. The action plan should establish how to eliminate identified operational inefficiencies such as high employee turnover. If the data is available, benchmarking against other similar organizations helps management identify operating inefficiencies to target for improvement. In order for your action plan to be successfully implemented, each division within your organization must take full responsibility for the execution of the action plan. The more specific the plan regarding the tasks that need to be completed, what tools will be needed, and who is responsible for completing them, the more likely that the action plan will be executed effectively. Organizations must regularly assess the results from benchmarking to make sure that the data gathered is continually integrated into the strategic plan.

The right approach to benchmarking is the one that best fits your organization's mission, business model, and operational priorities. In order for benchmarking to lead to performance improvement, support is needed at all levels of the organization. The benchmarking team must be dedicated to the analysis and improvement of the business processes. A cooperative environment is essential to achieving success.