Managing Risk for CHC CEOs

Community Link Consulting

Learning Objectives

1

Review the scope of “risks” faced by a CHC

2

Identify process and organizational structures to support Risk Management

3

Understand planning for strategic risk mitigation

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Agenda

- The “why” for risk management (20 min)
- Group discussion on mini cases (15 min)
- Checklist for CEO support in risk (5 min)
- Strategic scenario planning overview (20 min)
- Group discussion on strategic levers to consider (15 min)

Why worry?

- 62% of US companies have had a ‘critical risk event’ in the last 3 years (2019 survey by LogicGate)
  - 83% experienced a data breach in 2022 (HBR 2023)
- Several CHCs around the country have or are being acquired to keep their clinics open
  - The recent closure rate of FQHCs is still very low (<1% per year) but risk is increasing
  - About 7% failed from 2000-2012 (Capital Link, 2014)
- Medical errors are a leading cause of death
- Cybercrime has significantly affected many FQHCs in recent years
  - In 2020, one had 3 terabytes of patient data stolen
  - In 2025, patient data was stolen for >1M patients in CT

Fraud Alert: Scammers Steal Money From the Public Through Fake HHS Websites and Social Media Schemes

If you don’t worry, HRSA and FTCA will!

Subject: Official Warning Notice Regarding FTCA Deeming Application Concerns

Dear Health Center Leadership,

Following a thorough review of your recent application for Federal Tort Claims Act (FTCA) deeming, we have identified several critical concerns that must be addressed prior to your next submission in 2026. While we have decided to issue this warning notice instead of a compliance notice or disapproving your current application, it is imperative that these issues are rectified to avoid future disapproval. The areas of concern are as follows:

Quarterly Risk Assessments:

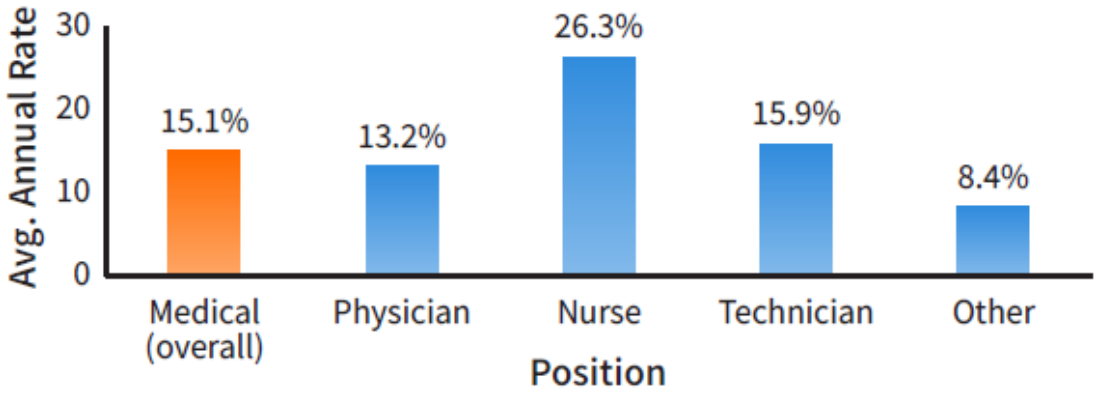
- Lacked goals and purpose indicating the assessment is patient safety risk management aimed at reducing the risk of medical malpractice.
- Lacked a clear assessment process/methodology
- Lacked identified risks
- Lacked an analysis of the identified risks
- Lacked an evaluation of the identified risks
- An action plan responding to the findings and analysis

Risk management is a systematic process of identifying, assessing, and reducing risk associated with patient, employee or visitor injuries, property loss or damages, and other sources of potential legal liability.
(NACHC definition)

Risks come from all directions

- Clinical services (misdiagnosis, script error, informed consent issue, lack of documentation)
- IT breaches (HIPAA violation, cyber theft/ransom, loss of access)
- Federal compliance (health center program and CMS compliance)
- Employment issues (workers comp, alleged/actual injury, harassment)
- Infrastructure failure (power, water, comms)
- Financial viability
- Contractual obligations
- Accidents (fire, falls, damage)
- Disasters (pandemic, wildfire, earthquake)
- Theft (internal and external)
- Violence against staff

Figure. Average Annual Rate of Nonfatal Medical Workplace Violence per 1,000 Workers, Age 16 or Older, 2015 to 2019



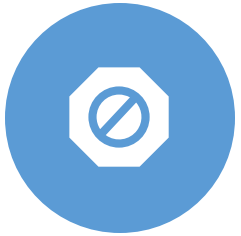
Source: Harrell et al.

The Scope of Risk Management

MONITOR

IDENTIFY

ASSESS



RESPOND

PREVENT

Being a compliant FQHC with FTCA coverage means you already:

- Have Risk Management P&Ps (stand alone or integrated in other content areas), a training plan, and meetings
- Conduct at least quarterly risk management assessments and at least annual review of risks with the board
- Use a QI structure responsible for identifying and addressing risks related to patient safety, grievances, continuous improvement
- Generally follow evidence-based clinical standards
- Have fully credentialed clinicians
- Core IT and document control practices that protect PHI
- Collaborate with local emergency response agencies





Roles of risk, quality, compliance, and related departments

Risk Management

- Covers the identification, evaluation, reduction, and prevention of risks.
- Includes physical safety and security, infection control, quality of care, patient safety, and emergency preparedness.
- Areas of focus:
  - Emergency Preparation
  - Crisis Response
  - Physical Security
  - Clinical Risk
  - Non-clinical Risk
  - Cybersecurity

Quality Improvement

- The goal of QI is to facilitate the quintuple aim of improving the patient experience, the health of our patients, staff well being, equity and reducing the cost of care.
- QI activities include identifying inefficient workflows, testing and measuring changes, implementing best (clinical) practices, and creating a culture of continuous quality improvement.
- 3 main areas of focus:
  - Quality Planning
  - Quality Improvement
  - Quality Control

Compliance

- The goal of this work is to cultivate a culture of compliance throughout the organization.
- Support all staff to ensure conduct and programs adhere to compliance policies, procedures, protocol, guidelines, and directives, as well as those of the state and federal government.
- Receive and investigate reports of suspected non-compliance and conduct investigations, audits, and monitoring activities to ensure compliance with all laws and contractual requirements.

Clinical, Operations & HR

- Training
- Credentialling
- Recruitment
- Retention
- Compensation
- Performance Appraisals
- Competency Checks & Peer Reviews
- Union relations (if applicable)
- Clinic Operations
- Clinical Leadership

Cultural & Behavioral Aspects of Safety & Effective Risk Management

1. Culture of continuous improvement (proactive) and high reliability
2. Open discussion of mistakes
3. Accountability for reckless behavior
4. Team approach to preventing and mitigating risks
5. Encourages error reporting and avoids blame
6. Rewards for appropriate risk taking
7. Safety as everyone’s responsibility
8. Trust
9. Regular training

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CEOs often make the call in deciding whether to address a risk and to what degree

- Many companies use a version of this matrix:

Hazard analysis and risk assessment matrix with proposed actions					
	HAZARD SEVERITY				
HAZARD LIKELIHOOD	Critical Illness or Injury	Severe Illness or Injury	Moderate Illness or Injury	Minor Impact	Negligible Impact
Very Likely	Requires Control	Requires Control	Requires Control	Manageable	Manageable
Likely	Requires Control	Requires Control	Manageable	Manageable and Tolerable	Tolerable
Possible	Requires Control	Manageable	Manageable and Tolerable	Tolerable	Acceptable
Unlikely	Manageable	Tolerable	Tolerable	Acceptable	Acceptable
Highly Unlikely	Tolerable	Acceptable	Acceptable	Acceptable	Acceptable

How you think of the probability and impact will be affected by judgment biases*

- **Availability bias:**
  - Overestimating the likelihood of events that are easily recalled from memory, such as rare but highly publicized incidents like airplane crashes, terrorist attacks, or shark attacks. This can lead to an overestimation of the actual risk.
- **Confirmation bias:**
  - Seeking information that confirms their beliefs and ignore information that contradicts them. This can lead to an inaccurate assessment of risk, as people may selectively focus on information that supports their beliefs.
- **Anchoring bias:**
  - Relying too heavily on the first piece of information they receive when making a decision. This can lead to an underestimation or overestimation of risk, depending on the initial information provided.
- **Overconfidence bias:**
  - People tend to overestimate their abilities and the accuracy of their judgments. This can lead to an underestimation of risk and a false sense of security.
- **Neglecting base rates:**
  - Ignoring the overall frequency of an event or the base rate when assessing risk. For example, people may overestimate the risk of dying from a rare disease and underestimate the risk of dying from a common cause such as heart disease.

** from Kahneman and Tversky*

Mini-case Discussions

	HAZARD SEVERITY				
HAZARD LIKELIHOOD	Critical Illness or Injury	Severe Illness or Injury	Moderate Illness or Injury	Minor Impact	Negligible Impact
Very Likely	Requires Control	Requires Control	Requires Control	Manageable	Manageable
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Unlikely	Manageable	Tolerable	Tolerable	Acceptable	Acceptable
Highly Unlikely	Tolerable	Acceptable	Acceptable	Acceptable	Acceptable

Scenarios:

- #1:
  - Your QI director has started tracking patient escalations after a rash of events that led to police involvement and scared staff. Each month since tracking this, escalations have gone up. The clinics who seem to be most affected want resources to address.
- #2:
  - Your compliance officer has been tracking opioid prescribing activities. After a steady decline the last few years, prescribing is up 15% in the last 6 months. Your CMO notes that a patient recently died of a fall while taking opioids.
- #3:
  - The local health officer asked you and your CMO to participate on her new emergency response taskforce to improve disease outbreak preparedness, joining a series of all virtual meetings and all-day retreats.

For each scenario:

- Where does that situation fit in the risk matrix?
- What biases might affect your judgement?
- What aspect of a culture of safety would be you hope are in place?
- What next step would you suggest?

Judgement Biases:

- Availability
- Confirmation
- Anchoring
- Overconfidence
- Neglecting base rates

A CEO's Checklist

- ❑ You support and invest in a culture of safety

You have a way for patients and staff to report safety concerns, and:

- ❑ Everyone understands how to use it
- ❑ People trust that reports are confidential
- ❑ There a robust follow-up mechanism in place

You have a QI committee, and they:

- ❑ Have a history of leading clear improvements that address concerns
- ❑ Use a trusted dashboard that highlights trends for the riskiest areas
- ❑ Have your full support and engagement

- ❑ You know when and how to separate acceptable business risk from patient or staff safety risks

Risk in the moment: Crisis Management

- Identify potential crises through regular risk assessments, for example:
  - Technology outage
  - Power grid disruption
  - Major storm, fire, etc.
- Develop response plans for key potential crisis scenario
- Setting roles in advance:
  - Overall leader
  - Site leaders
  - Communicator
- Identify stakeholders
- Technology and comms backup plan (e.g., phone tree)
- Consider tabletop exercises for crisis response

Summary of Practical Tips & Resources

- ✓ HRSA uses ECRI to give CHCs free access to tools for risk management
  - ✓ Clinical Risk Management Services (ecri.org)
- ✓ FTCA Application Demonstration of Compliance Tool: Risk Management Training Plan Edition
  - ✓ https://bphc.hrsa.gov/ftca/riskmanagement/index.html
- ✓ The Institute of Risk Management has good resources
  - ✓ www.theirm.org
- ✓ Consider utilizing IHI's relatively new organization approach for Whole System Quality or ambulatory accreditation
  - ✓ Whole System Quality | IHI - Institute for Healthcare Improvement
  - ✓ Ambulatory Health Care Accreditation | The Joint Commission

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CLC's Strategic Scenario Planning Approach

Scenario: A sequence of events, especially when imagined as a possible course of events or actions

Scenarios describe a potential future state with a combination of inputs, levers, and outputs

External Inputs and Drivers

- Factors outside the organization's control that could be impactful its work
- ***Examples:***
  - *Federal grant cuts*
  - *Recession*
  - *Increase in patient demand*

Levers

- Actions that could be taken by the organization in response to External Inputs
- ***Examples:***
  - *Increase efforts to fundraise externally*
  - *Freeze hiring*
  - *Cancel program*

Outputs and Results

- Projected results based on a combination of Inputs and Levers
- ***Examples:***
  - *Overall funding for the organization is lower in the short-term*
  - *Reserves are critical*
  - *Service volume declines*

A scenario is a combination of specific inputs, levers, and outputs

Example to build potential future scenarios for a social services agency

Inputs

Federal funding levels
- Substantial cuts to 3 or more major programs / 15-20% total cuts to grants
- 10% in cuts
- 5% in cuts

Housing and living expenses
- Significant increase
- Moderate increase
- Flat

Economic environment
- Major recession / high unemployment
- Minor recession / moderate unemployment
- No recession / low unemployment

Levers

Programs offered
- As-is
- Focused (some programs deemphasized, some expanded)
- Narrowed (reduce total number of programs)

Organization staffing
- As-is
- Reduced

Technology investment
- As-is
- Reduced
- Expanded

Efforts towards housing affordability
- As-is (donations encouraged, moderate efforts toward relationship building)
- Expanded (e.g., add donor relations and/or events capacity)

Collaboration and communication efforts
- As-is
- Expanded

Results

Total impact to clients/ staff/community
- Lower
- The same
- Higher

Complexity of organization operations
- Lower
- The same
- Higher

Safety margin of reserves
- Lower
- The same
- Higher

Community, partner, and policy maker awareness of organization
- Reducing awareness over time
- The same / slowing increasing
- Strongly increasing awareness

Building Scenarios: The combination of Inputs, Levers, and Outputs creates an almost unlimited number of Scenarios

External Inputs and Drivers

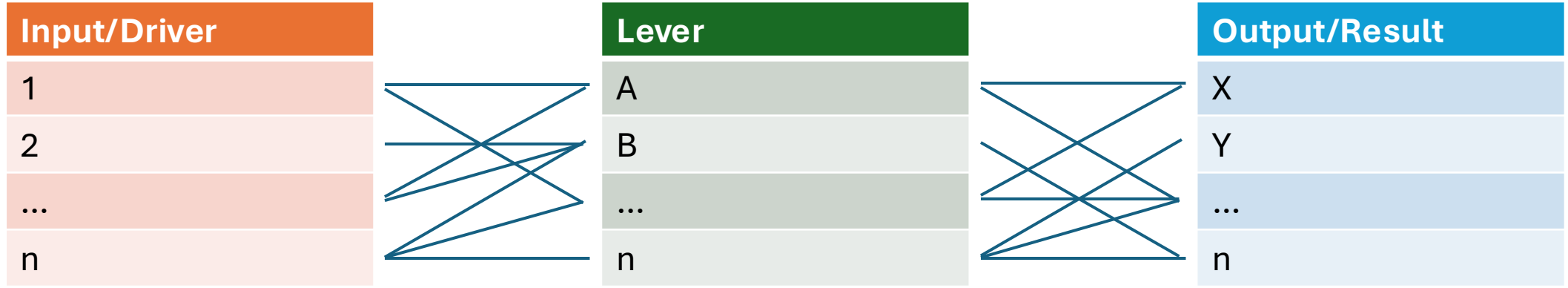
- Factors outside the organization's control that could be impactful its work

Levers

- Actions that could be taken by the organization in response to External Inputs

Outputs and Results

- Projected results based on a combination of Inputs and Levers



Therefore, it is key to focus on a small number of the most likely and impactful scenarios

How we ~~can~~ will build potential future scenarios by ignoring some less likely factors

Inputs

Federal funding levels
- 15-20% total cuts to grants
- 10% in cuts
- ~~5% in cuts~~

Housing and living expenses
- Significant increase
- Moderate increase
- ~~Flat~~

Economic environment
- Major recession / high unemployment
- ~~Minor recession / moderate unemployment~~
- No recession / low unemployment

Levers

Programs offered
- ~~As-is~~
- Focused (some programs deemphasized, some expanded)
- Narrowed (reduce total number of programs)

Organization staffing
- ~~As-is~~
- Reduced

Technology investment
- As-is
- ~~Reduced~~
- Expanded

Efforts towards housing affordability
- As-is (donations encouraged, moderate efforts toward relationship building)
- Expanded (e.g., add donor relations and/or events capacity)

Collaboration and communication efforts
- As-is
- Expanded

Results

Total impact to patients/ staff/community
- Lower
- The same
- ~~Higher~~

Complexity of organization operations
- Lower
- The same
- ~~Higher~~

Safety margin of reserves
- Lower
- ~~The same~~
- ~~Higher~~

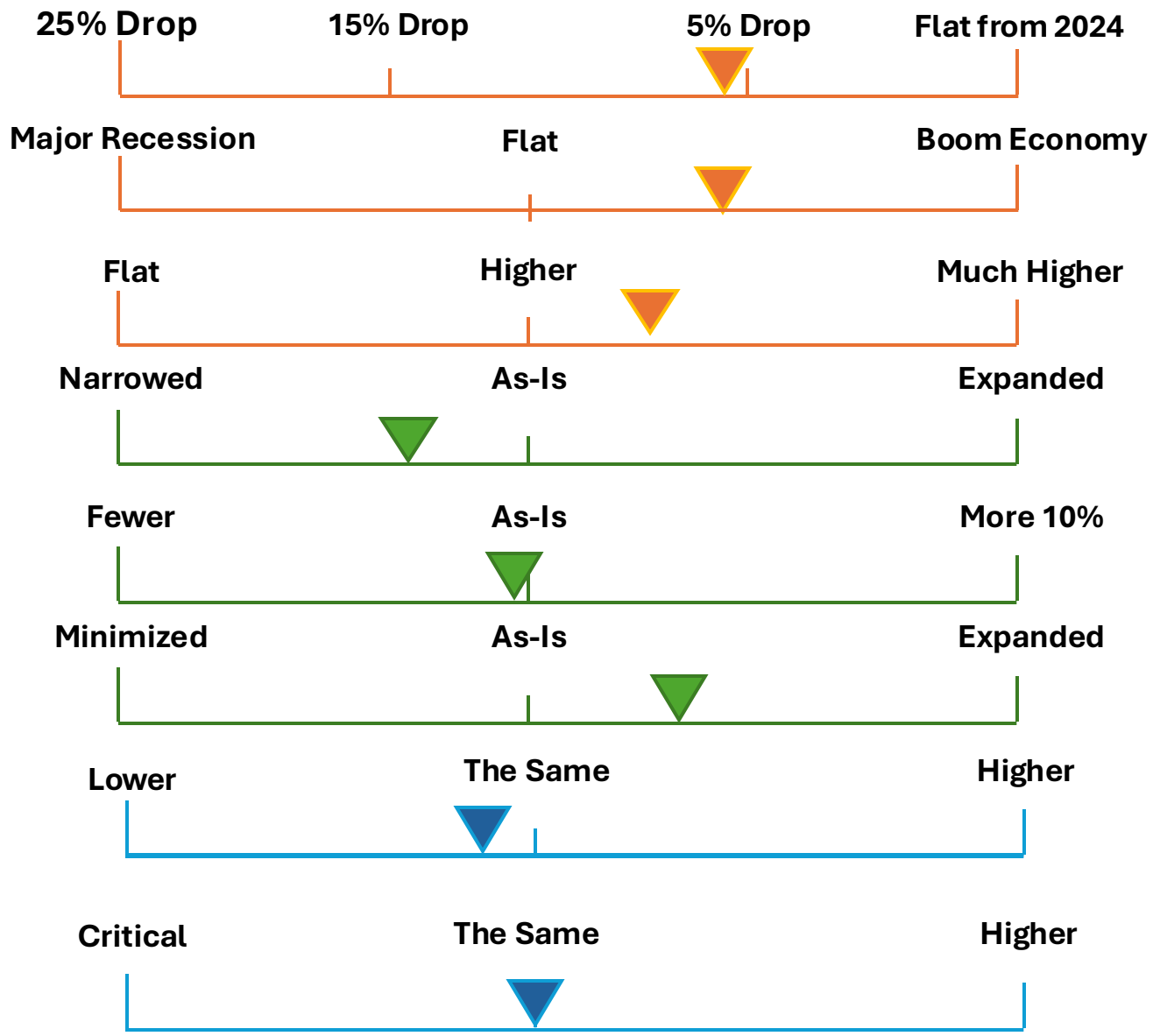
Community, partner, and policy maker awareness of organization
- ~~Reducing awareness over time~~
- The same / slowing increasing
- Strongly increasing awareness

Example Scenario 1: **Best Case** | Inputs and Levers

Inputs

Levers

Results



Example Qualitative Scenario Descriptions

Storytelling helps solidify understanding of potential futures

1. As Good as It Gets

- Federal cuts are somewhat less than expected, but still significant. The economy remains stable, though inflation is up moderately. Advocacy efforts stabilize state and local funding. Investments in technology pay off relatively quickly. The organization operates largely the same as in 2024 with some cuts and a mild increase in demand for services.

2. Hard Knocks

- Federal cuts to funding are as expected and state and local funders are unable to fill the gap. A mild economic recession leads to higher unemployment along exacerbated by moderately higher cost of living. Total income is down 15% in 2026. Staffing is reduced through attrition and limited layoffs but all sites remain open. Demand for services further outpaces capacity.

3. Deep Impact

- A major recession is underway before the end of 2025 with dramatically increased cost of living and unemployment. Federal and state funding cuts result in a 30% lower budget and staffing levels in 2026. Efforts to use technology and partnerships to improve efficiency do not clearly offset dramatic increase in client need. Less sustainable programs are paused or cut. Salaries and benefits are frozen.

Levers from scenarios can be integrated into existing strategic priorities

EXAMPLE Tactics (Levers) for Strategic Priorities by Scenario

Strategic Priority	1 Good as It Gets Tactics	2 Hard Knocks Tactics	3 Deep Impact Tactics
LEVERAGE TECHNOLOGY	• Implement 2-way text messaging capabilities • Implement AI tools for client self-service and back-office efficiency	• Implement AI tools for back-office efficiency	
ADDRESS ACCESS BARRIERS	• Remodel and expand Site A • Expand hours in Site B to include Saturday	• Expand hours in Site B to include Saturday	
COLLABORATE AND COMMUNICATE	• Increase lobbying & advocacy • Conduct community education and awareness campaign	• Increase lobbying & advocacy • Conduct community education campaign	• Increase lobbying & advocacy • Community education
RESPOND TO FUNDING CHANGES AND OPPORTUNITIES	• Evaluate all admin new hires/replacements	• Freeze admin hiring	• Program streamlining

Using scenarios

Identify and use current scenario to direct ongoing management	The levers chosen for the current scenario should align with strategic priorities (if not, some priorities may need to be paused or added)
Share scenarios with the organization's leaders	Those in decision-making roles benefit from understanding possible futures and responses
Monitor scenario status each month	Decide if key scenario assumptions have changed Be clear about the change and update plans as needed using identified scenario levers to inform changes

Scenario Planning Approach

Kickoff (1 hr)

Identify initial scenario factors (external drivers, levers, outputs)

Identify related strategic priorities, if any

Set workshop logistics & preparation

Workshop (3-4 hrs)

Refine scenario factors

Build 3 scenarios interactively

Link levers (tactics) for each scenario to strategic priorities

Plan for likeliest scenario & scenario monitoring

Key Assumptions:

Consider next 1-2 years. Plan for Board involvement. Define scope of business if needed.

What levers would you consider in scenario planning?

Inputs

- % of patients insured with Medicaid
- Demand for services
- Federal grant opportunities
- Ability to serve immigrant populations
- 340B savings achieved
- State support for FQHCs / PPS rates
- Workforce / new hire availability

Levers

- Efforts to outreach to privately insured and Medicare patients
- Efforts to outreach to OB and children
- Optimizing schedules – reduce no show rate and increase filled slots
- Evaluate prescribing to reduce risk and/or shift medication formulary
- Fundraising / foundation
- Hiring and/or salary freeze
- Program reduction / increase

Results

- Financial reserves / days cash on hand
- # of Patients Served
- % of Uninsured Patients
- Health Outcomes / Quality Metric
- Cost Per Patient
- Net Income

Questions?