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MASTER OF DEFENCE STUDIES RESEARCH PROJECT

**AN INTEGRATED HEALTH-CARE RISK MANAGEMENT FRAMEWORK FOR THE
CFHS: NECESSITY OR LUXURY?**

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ABSTRACT

Today's society demands enterprises and government to be more accountable. The expectation is that organizations, including health services, become risk-savvy by developing internal control measures to enable risks to be identified, monitored, assessed, and mitigated. This paper argues that the Canadian Forces Health Services must implement an integrated health care risk management framework that extends beyond the purview of the *Integrated Strategic Risk Management in Defence*, in order to meet Canadian health care accreditation standards and effectively mitigate the risks to CF members and the organization. An integrated risk management strategy permits a more comprehensive approach to risk management at the corporate level. It provides greater insight on the risks that could impact across departmental boundaries or could affect the organization. In health care, integrated risk management has become an accreditation requirement. As part of the Canadian Government modern comptrollership, government departments have been directed by Treasury Board Secretariat to implement an Integrated Risk Management Framework (IRMF) organization-wide. The *Integrated Strategic Risk Management (ISRM) in Defence* acknowledges that high-risk exposure fields such as health services should develop an IRMF that better suits their organizational needs. The paper concludes that the Treasury Board IRMF, which is based on industry best practices, provides the CFHS with a very good model to follow. In order to meet Canadian accreditation standards and provide a safer health system, the CFHS must implement an integrated health care risk management framework.

INTRODUCTION

The Chief of Review Services published in January 2004 a report that examined the progress made by the Department of National Defence (DND) and the Canadian Forces (CF) in the application of integrated risk management across the organization.¹ This report comes a year after releasing its *Integrated Strategic Risk Management (ISRM) in Defence*, which aims to outline and formalize the components of integrated risk management for the organization at the strategic level.² The risk management components outlined in this document are applicable to all CF elements, including the Canadian Forces Health Services (CFHS). However, the particular risks involved in the provision of health care are so unique and complex that the *ISRM in Defence* remains too broad to provide valuable guidance in managing risks in a health care environment.

Besides this strategic guidance, the CFHS does not have an integrated approach to managing risks. This represents a concern for a number of reasons. Despite the fact that the concept of enterprise-wide risk management in health care is relatively new, organizations are now expected, based on Canadian health services standards, to have developed the policies, the processes and the tools to effectively perform health care risk management. Mandated by the Canadian Council of Health Services Accreditation (CCHSA), health care organizations must demonstrate that they have a common strategy for managing risks. They must be proactive in mitigating the risks to patients, health care providers and their organization. This is of particular

¹ Department of National Defence, Chief of Review Services, *Baseline Study: Integrated Risk Management Within the DND/CF* (Ottawa: DND Canada, 2004).

² Department of National Defence, Defence Planning and Management, *Integrated Strategic Risk Management in Defence* (Ottawa: DND Canada, 2003).

importance for the CFHS, since not only is it a health care organization which is seeking to obtain accreditation status with the CCHSA for all its medical clinics, it is an organization that is autonomously governing and managing a federal health care system. This places an even higher burden on the CFHS compared to the mandate of other health care organizations, who are accountable to provincial authorities. It further emphasizes the responsibility and accountability to the public and the CF in having the foresight, commitment and methodology to formally manage and mitigate risk over its entire organization and span of services, whether in garrison or on operations.

The CFHS is an organization that must be prepared to support a very unique military population, whose members are increasingly facing considerable health threats and occupational hazards. Unlike the Canadian population, CF members, including military health care providers, are deliberately exposed to dangerous activities through high intensity military training and operations. The operations vary in difficulty and danger, from the defence of Canadian territory, to disaster relief at home and abroad, to the three-block war concept of war-fighting, peacekeeping, and humanitarian relief, anywhere in the world.³ War-fighting in unfamiliar and complex environments, regularly operating dangerous equipment, weapons and explosives, observing emotionally disturbing events in war-torn regions, are but a few examples of the acuteness of the potential associated health problems. An intricate and fluid health system must be in place to support the CF mission, while meeting Canadian standards. The unique military aspects add to the complexity of leading and managing a health care system, and speak to the necessity of having a formal integrated process for managing risks.

³ Department of Foreign Affairs and International Trade, *Canada's International Policy Statement: A Role of Power and Influence in the World – Overview* (Ottawa: DFAIT, 2005), 11.

This paper will argue that in order to meet Canadian health care standards and effectively manage and mitigate the risks to CF members and the organization, the Canadian Forces Health Services must implement an integrated health care risk management framework, which extends beyond the purview of the *ISRM in Defence*.

The paper begins with an examination of the concepts of risk and Enterprise Risk Management (ERM) within industry. Next, risk management within the Canadian Forces is reviewed. This includes the Government modern management reform and Treasury Board direction for implementing an organization-wide Integrated Risk Management Framework (IRMF). A discussion on risk management as a military “professionalization” measure and a Command and Control responsibility is included. The paper then examines risk management in the context of health care. It establishes the relationship between risk management, patient safety, and safe health systems, which are at the heart of this subject in health care. This section also reviews the risk management accreditation requirements and guidance for Canadian health services organizations. The key components of IRM in health care are reviewed with a view to identify suitable IRM frameworks that could be adopted by the CFHS.

The paper then turns to examining the manner in which risk management is performed within the Canadian Forces Health Services. This includes a broad overview of how Rx2000 Canadian Forces Health Services Reform initiatives implemented over recent years to address the organization’s shortcomings and risk areas represent the foundation for IRM in the CFHS. The evolving culture in the CFHS with regards to proactively managing risks is touched on in this section. Formal risk management processes and enablers in various departments are outlined as an indication of the mind-set and readiness for taking the next step in instituting integrated risk management. Finally, an initial assessment is provided of how well the Treasury Board

IRMF and the DND/CF *ISRM in Defence* meet the corporate risk management needs of the CFHS as a health care organization.

CHAPTER 1 – UNDERSTANDING RISK MANAGEMENT

INTRODUCTION

As organizations become overwhelmingly more complex and interconnected with other groupings or large systems and are facing greater public scrutiny, there is a growing preoccupation with risk management. Risk Management is considered one of the new business raves of the 21st century and is getting a lot of attention, with a plethora of writings on the topic, particularly since the mid-90's.⁴ Organizations are re-focusing their efforts in attempting to control an intricate environment, desperate to protect their vulnerabilities, and avoid losses, failures, and scandals.⁵ The failures observed within industry in the past 15 years are assessed as being caused in part by the ignorance of critical issues by executive level management and a lack of appreciation of underlying risks, whereby the harmful effects of those hidden risks were neglected, or at the very least, not anticipated or mitigated.⁶ In many cases the events that led to company downfall could have been predicted and avoided had the organizations had a systematic approach to managing and mitigating risk. Harm to the public, employees, consumers and the environment, loss of organizational reputation, loss of investments and contracts, and legal

⁴ The overwhelming interest and writings on risk management is evidenced by an internet search, which brings up approximately 65,900,000 responses for just the period of 2005. It is also evident in the Annotated Bibliography that was produced by Treasury Board of Canada Secretariat in their study on *Best Practices in Risk Management: Private and Public Sectors Internationally*, (Ottawa: Treasury Board of Canada Secretariat, October 1999). This document included 228 references.

⁵ Micheal Power, *The Risk Management of Everything: Rethinking the Politics of Uncertainty*, a report written for Demos (London: Demos, 2004), 10. Demos is an independent organization that brings together professionals from a wide range of backgrounds to create new perspectives and knowledge with a view to influence government policy and shape society.

⁶ Society of Actuaries, *Enterprise Risk Management Specialty Guide*, produced by the ERM Working Group of the Society of Actuaries Risk Management Section and members of the Casualty Actuaries Society, 30 August 2005.

action are but a few of the negative consequences of disregarding risk management as a critical component of good governance and management. Hard lessons experienced by industry giants are causing businesses, institutions, even governments to get drawn into the risk management rage and to reassess its value as they come to grips with the hazards of the volatile environment in which they operate. For example, Micheal Power notes:

The UK government has recently become only too aware of big system and project failures, and the vulnerabilities they create. In the fields of energy provision, public transportation, health, financial services and large-scale infrastructure there have been major public crises. Following the BSE crisis, and failures in school examinations and passport application systems, risk management ideas have moved to the heart of government itself. Risk management is now at the centre stage of public service delivery and is a model or organization in its own right.⁷

More importantly, risk management is seen as the new managerial instrument that not only promises to create an environment that controls threats but also enhances the achievement of organizational goals. This speaks to an organizational culture of risk-smart behaviour and decision-making, and seizing opportunities that risk assessments may create. This new construct of putting a positive twist to viewing risks is worthy of further discussion, but only once a common understanding of risk is established.

RISK, AN ELUSIVE CONCEPT

Reaching a common understanding on the subject of Integrated Risk Management is essential in considering the importance of risk management within the health care domain, the

⁷ Power, *The Risk Management of Everything...*, 11. BSE stands for Bovine Spongiform Encephalitis.

topic covered in Chapter 3.⁸ The notions of risk management and integrated risk management are defined through diverse methodologies within the literature, based on the type of business domain, profession, or nature of the threat. When it comes to the term risk as a conceptual foundation however, most of the literature on risk management discusses risk but does not define it, as if it were an indescribable concept, an intangible. Dictionaries and encyclopedias provide some assistance, though not to the full extent that one would require in today's risk-focused business world. Risk is defined in the World Reference.COM English dictionary as "A source of danger, a possibility of incurring loss or misfortune."⁹ In Wikipedia, the free encyclopedia; "risk is the potential harm that may arise from some present process or from some future event."¹⁰ It goes on to state that the term risk is often used interchangeably with "probability", but in professional circles, risk combines the probability of a negative event occurring with how harmful that event would be. Frank Knight established the distinction between risk and uncertainty in his renowned work *Risk, Uncertainty, and Profit*, when he argued:

Uncertainty must be taken in a sense radically distinct from the familiar notion of Risk, from which it has never been properly separated. ... The essential fact is that "risk" means in some cases a quantity susceptible of measurement, while at other times it is something distinctly not of this character; and there are far-reaching and crucial differences in the bearings of the phenomena depending on which of the two is really present and operating. ... It will appear that a measurable uncertainty, or "risk" proper, as we shall use the term, is so far different from an un-measurable one that it is not in effect an uncertainty at all.¹¹

⁸ For the purposes of this study, the terms "enterprise" and "enterprise-wide" are relate to risk management within industry (ERM), and "integrated" risk management (IRM) is the term that has been adopted by Government, under the Treasury Board and by DND/CF.

⁹ World Reference, COM English dictionary, available from <http://www.wordreference.com/definition/risk>; Internet; accessed 14 March 2006.

¹⁰ Wikipedia, the free encyclopedia, available from <http://en.wikipedia.org/wiki/Risk>; Internet; accessed 4 March 2006.

¹¹ Fank H Knight, *Risk, Uncertainty and Profit*. (Chicago: Houghton Mifflin Company: 1921), available from <http://www.econlib.org/library/Knight/knRUP1.html>; Internet; accessed 4 March 2006.

It can also be argued that the concept of risk consists of two main elements: hazard (or threat) and exposure, hazard being the way in which a thing or situation can cause harm, and exposure as the extent to which the likely recipient of the harm can be influenced by the hazard. For a risk to be real, there must be a threat or hazard. The difficulty is that hazards will be perceived differently by individuals, based on their life experience, their values and beliefs, their area of expertise, and, not to be discounted, their intuition.¹² Within the health services field, professionals will tend to use scientific methods and research to quantify the hazard. Adding to the factors of the way risk is perceived, there is a strong cultural impact on how risk will be dealt with, based on societal experiences and norms that set the filters from which individuals view the world and manage its risks.¹³ Whether a person is a risk taker by nature or not, i.e. a person's readiness, willingness or reluctance to take risks also plays a part in risk perception. It is safe to assume that the manner in which individuals view hazards and react to potential risks on a daily basis will be extended and applied to the work place. As an employee, this may not comply with the view or approach organizations wish to take with regards to risk.¹⁴

All things considered, the term risk has no fixed meaning; it is interpreted differently by various groups and individuals, and they in turn will react to perceived risks based on their societal construct and personal experiences. The most important recommendation for an organization that is establishing risk management processes is that the term be properly defined to ensure a standard and familiar language, a common understanding of risk, enterprise-wide.

¹² Adam Greene, "A Process Approach to project Risk Management." (Research paper, Loughborough University, UK, n.d.), 18, available from <http://www.arcom.ac.uk/workshops/01-Loughborough/05-Greene.pdf>; Internet; accessed 9 September 2005

¹³ Mary Douglas, *Risk and Blame: Essays in cultural theory* (London: Routledge, 1992), 18-19.

¹⁴ Greene, *A Process Approach to project Risk Management...*, 18-19.

The Treasury Board of Canada Secretariat has met this requirement by developing a definition of risk within the context of its Integrated Risk Management Framework (IRMF), a definition that is being adopted by the Canadian Forces and other government departments. Treasury Board defines risk as:

Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.¹⁵

The framework further addresses the issue of probability by directing that for each risk identified, the probability of the event actually occurring and the extent of the consequences be measured quantitatively and/or qualitatively. From this perspective, perhaps the definition of risk is not as important as the questions of how do we know risk and what are the social and economic institutions which embody that knowledge.¹⁶ These are facets of risk that enable the process of risk management.

DEFINING INTEGRATED RISK MANAGEMENT

Just as the term "risk" is not well understood and leads to interpretation, Integrated or Enterprise Risk Management will have a different meaning and value to organizations. This can lead to confusion despite the fact that they may appear to be speaking about the same concept. Starting with clarifying the term "risk management," it implies a systematic review of the potential risks that could affect an organization and an ability to control those risks. Treasury Board provides a clear definition of risk management which supports this intent, by defining it

¹⁵ Treasury Board of Canada Secretariat, *Integrated Risk Management Framework...*, 1999, available from http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/RiskManagement/siglist_e.asp; Internet; accessed 29 Septembre 2005, 7. Hereafter will be referred to Treasury Board.

¹⁶ Power, *The Risk Management of Everything...*, 14.

as: “a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues.”¹⁷ The concept of risk management promotes an emerging belief that there are now more events in the world that are amenable to human decisions and intervention, rather than being a product of fate.¹⁸ This leads to greater expectations and demands from the public for increased rigor in this field and for decision-makers to be held accountable. Some companies hold a narrow view of this process, whereby managing risks simply equates to reducing losses or avoiding something bad from happening.¹⁹ Others view risk as “a strategic combination of vulnerabilities and opportunity,” and in this light, risk management is seen as a tool that presents “value-enhancing opportunities.”²⁰ This divergence in approaches will significantly impact the issues that are identified as risky, how an organization reacts to the risks, and the outcome of risk management activities. Treasury Board alludes to opportunities within its main IRMF, emphasizing avoiding injury and other losses or unfavourable situations. It is through the IRMF’s accompanying document *Risk, Innovation and Values – Examining the Tensions* where Treasury Board skilfully explores risk-taking, creativity, and “fostering a culture of continuous innovation.”²¹

¹⁷ Treasury Board, *Integrated Risk Management Framework...*, 7.

¹⁸ Power, *The Risk Management of Everything...*, 14.

¹⁹ Society of Actuaries, *Enterprise Risk Management Specialty Guide...*, 9.

²⁰ Tom Aabo, John R.S. Fraser, and Betty J. Simkins, The Rise and Evolution of the Chief Risk Officer: Enterprise Risk Management at Hydro One. *Journal of Applied Corporate Finance*, 17 no.3, (2005): 18.

²¹ Government of Canada. Treasury Board. *Risk, Innovation and Values – Examining the Tensions*. (Ottawa: Treasury Board, April 1999).

Risk management as a recognized management discipline was initially formed in the early 1960s, when it was formally named and for which guidelines were established.²² The subject has evolved to include different fields such as banking, insurance, investment, telecommunication, and health, with specific terminology and processes. An upsurge of literature in the past 15 years has served to increase the knowledge base on the topic and assist organizations in developing risk management strategies and processes. As this field evolves and some reputable companies have experienced significant downfalls despite internal risk management processes, industry is learning that the more traditional way of managing risks is fraught with limitations. The challenge is that risk management is typically conducted at the department or sector level within an organization, each separately and narrowly addressing the risks that are specific to their area of responsibility.²³ This stovepipe approach tends to fragment the issues and reduce visibility of the risks that could impact across departmental boundaries or could affect the entire organization. Under these circumstances, corporate leadership cannot fully comprehend the totality of risks they face and will have difficulty quantifying it. Furthermore, as explained by James Lam, this segmented approach does not permit “aggregated risk reporting” to senior management. In the absence of a more integrated methodology, risk management is not truly effective.²⁴

²² Stephen P. D’Arcy and John C Brogan, “Enterprise Risk Management,” forthcoming in the *Journal of Risk Management of Korea* Vol 12 (1), (2001): 4.

²³ Aabo *et al*, *The Rise and Evolution of the Chief Risk Officer...*,18, and in James Lam, “Enterprise-wide Risk Management and the Role of the Chief Risk Officer,” *ERisk*, 25 March 2000; available from [HTTP://WWW.ERISK.COM/LEARNING/RESEARCH/011_LAMRISKOFF.PDF](http://www.erisk.com/learning/research/011_LAMRISKOFF.PDF); Internet; accessed 22 February 2006. James Lam has over 20 years experience in risk and business management. He is the founder and president of James Lam & Associates, a leading risk management consultancy with clients that include The World Bank, Salomon Smith Barney, Allied Capital, First Data, Risk Management Association, Federal Home Loan Bank of Chicago and GMAC. He is the author of *Enterprise Risk Management*, published by Wiley, and many other articles on the topic

²⁴ Lam, *Enterprise-wide Risk Management...*, 2-3.

Enterprise Risk Management (ERM) rather than Risk Management is now becoming the standard in industry. The concept takes risk management at a higher, broader level within the organization. ERM permits strategic risk management, which encompasses the risks related to all subordinate elements, rolled up at the corporate level. It permits a more comprehensive management of risk, a holistic approach, giving emphasis to the significance of the whole and the interdependence of its components. A number of organizations have defined ERM. The Casualty Actuary Society, in its proficiency in quantifying risks and their interactions, has defined ERM as: “The process by which organizations in all industries assess, control, exploit, finance and monitor risks from all sources for the purpose of increasing the organization’s short and long term value to its stakeholders.”²⁵ The Commission of Sponsoring Organizations of the Treadway Commission’s (COSO) is seen as a leader in ERM and presents a methodology and standard against which industry can assess their ERM program. It defines ERM as:

...a process as effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.²⁶

The Canadian Forces use the framework set out by Treasury Board for its definition of Integrated Risk Management, which is defined as:

...a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about making

²⁵ D’Arcy and Brogan, *Enterprise Risk Management...*, 2.

²⁶ Commission of Sponsoring Organizations of the Treadway Commission’s (COSO), *COSO Enterprise Risk Management – Integrated Framework and Application: Executive Summary*, September 2004, available from [http://www.pwcglobal.com/extweb/manissue.nsf/docid/11FE433C2B151E5285256D580059C547/\\$FILE/Exec.Sum.m.web.pdf](http://www.pwcglobal.com/extweb/manissue.nsf/docid/11FE433C2B151E5285256D580059C547/$FILE/Exec.Sum.m.web.pdf); Internet; accessed 5 March 2006. The study was led by PricewaterhouseCoopers and involved the development of practices for managing risk across an organization. COSCO formalized a reporting structure to support ERM by identifying key issues and proposing guidelines and applications. It aligns risk response with the strategic objectives of the organization.

strategic decisions that contribute to the achievement of an organization's overall corporate objectives.²⁷

The Treasury Board definition falls within the intent of the COSO definition and aligns itself with the overall purpose of ERM within industry. The new risk management model establishes a greater capability to identify, assess and mitigate internal and external risks in terms of interdepartmental commonality and interconnectedness and enterprise-wide level issues. The awareness and insight of the broader strategic picture and the skills and competencies that normally exist at the senior management level, lend themselves well to the ERM model; managing risks from the highest level down. Risk mitigation, which is defined by Grabowski and Roberts as “the process of identifying risks and articulating and introducing measures to reduce them,”²⁸ can again be exercised without duplication of effort, and will benefit and protect the entire organization. The value added when risk management is performed by the senior management team is that firms are able to exploit their risk-taking capacity and they are able to further their overall strategic objectives, as stipulated in the definitions provided earlier. They will achieve greater overall success as an organization compared to those that do not have an integrated approach.²⁹ ERM also represents an organizing concept and an internal control system that entails order and accountability. Interestingly, Power suggests that in the public sector, “risk”, rather than customer responsiveness, is emerging as the basis for self-challenging management practices in the absence of direct competitive pressures.³⁰ Better awareness of

²⁷ Treasury Board, *Integrated Risk Management Framework...*, 8.

²⁸ Martha Grabowski and Karlene Roberts, “Risk Mitigation in Large-Scale Systems: Lessons from High Reliability Organizations,” *California Management Review* 39, no. 4 (Summer 1997): 152.

²⁹ Society of Actuaries, *Enterprise Risk Management Specialty Guide...*, 21.

³⁰ Power, *The Risk Management of Everything...*, 13.

potential and real risks will improve the quality of decisions but will also serve to hold decision-makers accountable and transparent to the public.

Instituting integrated risk management presents another critical advantage over the traditional “silo” type of risk management; it introduces a “culture” of risk management. An integrated approach typically involves the creation or utilisation of forums such as meetings, seminars, or conferences where there will be increased dialogue about risk and risk management. This not only results in enhancing overall organizational awareness at all levels, but injects a way of thinking about management and mitigation of risks throughout the organization. It promotes a common understanding about risk and standardizes to a certain extent the risk management approach enterprise-wide. Aabo et al propose that “while risk management is coordinated with senior-level oversight, employees at all levels of the organization are encouraged to view risk management as an integral and ongoing part of their jobs.”³¹ The businesses that foster this approach will focus their efforts on activities that capture the intellectual or “human capital” of their organization, since people and their knowledge are highly valued and recognized as the best knowledge-asset to be nourished and shared, which this paper asserts is an integral part of ERM.³² Karl Weick seems to support this theory when he writes: “a system that values stories and storytelling is potentially more reliable because people know more about their system, know more of the potential errors that might occur, and they are more confident that other people have already handled similar errors.”³³

³¹ Aabo et al, *The Rise and Evolution of the Chief Risk Officer...*, 18.

³² Talysayon D. Serafin, “KM Strategies: IT Focus or People Focus?” KM Strategies Series, *Business World*, IT Matters Section consolidate report (August-September 2001 issues): 2.

³³ Karl E Weick, “Organizational Culture as a Source of High Reliability,” *California Management Review* 29, no. 2 (winter 1987): 113. Karl Weick is a college professor of organizational behavior and psychology at the University of Michigan Business School.

Ultimately, risk management is a governance and corporate responsibility, and the importance of placing risk management high up in the institutional hierarchy is easily established. The corporate responsibility of an organization's senior management team in ensuring that an effective risk management program is in place is well articulated by James Lam. It includes ensuring that employees have the required risk management skills and "risk absorption capability" to support its business strategy. It must also establish a framework or architecture whereby the ERM processes and roles and responsibilities are well defined. Implementing risk measurement and auditing functions where appropriate includes benchmarking practices to industry best practices. Reemphasizing the issue of culture discussed previously, it involves "shaping the organization's risk culture by setting the tone from the top, not only through words but actions, and reinforcing that commitment."³⁴

THE RISKS OF RISK MANAGEMENT

Micheal Power has written extensively on the relationship between auditing and risk management. Although his focus is on financial accounting, his insight on risk management and his thoughts on how this process can self-perpetuate and give further credence to risk management is rather thought-provoking, in light of what he terms the "risk management explosion."³⁵ He identifies a number of risks related to risk management activities and cautions organizations as they hasten to adopt the new ERM business trend. Firstly, organizations must overcome the tendency to overcomplicate or "exacerbate" process. This adds to the workload, may overwhelm other organizational functions, and may be seen as a deterrent to performing

³⁴ Lam, *Enterprise-wide Risk Management and the Role...*, 1.

³⁵ Power, *The Risk Management of Everything...*, 9.

what is perceived to be burden-laden risk management. Emphasizing that because attitudes regarding risk will vary between individuals but also across different aspects of the same risk, decision-makers face many challenges, particularly in knowing which public understanding of risk to take seriously and how to manage expectations regarding mitigating those risks. Therein lies the danger of “over-responsiveness” to consumer or public concerns.

Power suggests that the new ERM and the manner in which it is operated causes risk to be more visible – not necessarily more hazardous-, and entities such as the corporate Chief Risk Officer and Risk Managers may also amplify the demand and expectations. Consequently, there is a “social amplification” of risk. Power also introduces the notion of reputational risk, i.e. that organizations may be more motivated in managing risk for the sake of their reputation and the political uncertainty, rather than the primary risk itself. Nevertheless, the positive aspect of reputational risk management is that it “can provide a potentially important channel between organizations and social value systems, and may in some circumstances represent a desirable social amplification of risk by forcing companies to confront social impacts.”³⁶ Comparing ERM to a potential fad, he further explains “fads work because of deep seeded fears, a litigation or compensation culture, social amplification of risk and the fact that ERM provides comforting images of controlling the uncontrollable.”³⁷ Organizations must be wary of the risks associated with risk management. They should ensure they understand the nature of the risks and their value to the organization and society, and self-challenge their primary motivator in dealing with those risks.

³⁶ Power. *The Risk Management of Everything...*, 57.

³⁷ *Ibid.*, 57.

SUMMARY

Today's society demands enterprises and government to be more accountable in the governance and management of their business and areas of responsibility. The expectation is that organizations, including health services, become risk-savvy by developing internal control measures to enable risks to be identified, monitored, assessed, and mitigated. Recent history has shown that the impact to industry and the public of not mitigating risks can be devastating. Ever more so painful knowing that many organizational failures could have been predicted and avoided through deliberate risk management. As organizations learn from other's failures and pursue implementing formal risk management and mitigation processes, it has become evident that an enterprise-wide approach rather than a "stovepipe" or fragmented style of risk management leads to greater business success. It also represents a self-challenging tool for government departments where there are little competing pressures.

Risk is a concept that is difficult to define and is subject to interpretation based on individual experience, knowledge and cultural perception of risks. It is therefore critical that organizations properly define risk and enterprise-wide risk management based on their domain of interest and identify. Furthermore, establishing a framework or architecture for ERM will serve to clarify roles, responsibilities, and procedures, set a common language, and create a risk-smart culture throughout the organization. Using its intellectual capital within a robust ERM system, organizations are better poised in understanding and dealing with the social amplification of risks, and avoid the pitfalls of reputational risks and other secondary distractions.

CHAPTER 2 - RISK MANAGEMENT IN THE CANADIAN FORCES

INTRODUCTION

Many of the changes that have been observed in the military over the past decades are related to the organization taking on the characteristics of a business, such as large-scale civilian organizations, or government. Technological and business trends as well as the demand for greater public accountability have resulted in wide-ranging modifications to military organizations, “thus the differentiation between the military and the civilian is seriously weakened.”³⁸ The concern about what is commonly referred to as the “civilianization” of the military, is in part that as industry practices such as ERM are introduced to the institution, it may undermine the military and its operational focus. That being said, Treasury Board has directed that risk management be strengthened across all government departments through the development and implementation of an Integrated Risk Management Framework (IRMF), compelling the CF to react.

This chapter examines how implementing the ERM concepts and practices described in the first chapter should be considered part of the “professionalization” of the military. The fact that CF operations are becoming increasingly more dangerous in a very complex and unstable environment further emphasizes the importance of risk management within the operational and institutional military realm, including within the health services sphere. It also describes risk management as an essential part of the Command and Control function. The series of government documents mandating the enhancement of risk management practices are reviewed.

³⁸ Morris Janowitz, *Political Conflict: Essays in Political Sociology* (Chicago: Quadrangle Books, 1970), 126.

The DND/CF document *Integrated Strategic Risk Management in Defence* produced by the Vice Chief of Defence Staff (VCDS) in response to Treasury Board direction is also examined with a view to determine its relevancy to the health services.

“PROFESSIONALIZATION” VERSUS “CIVILIANIZATION”

Historically, there has existed a certain aversion and distrust in military circles regarding adopting the new management concepts that are emerging from industry. These are often perceived as business fads that do not *fit* the military way of operating. Adapting and implementing industry practices is also frequently seen as processes that add layers of bureaucracy, demanding great staffing effort and resources, a risk identified by Power. This falsely creates an overall impression that new industry practices may reduce the effectiveness of the almighty military machine. Most importantly, there is an underlying fear that what are considered bureaucratic processes will dilute or *civilianize* the military planning and decision-making processes, and that it will detract from the operational focus.³⁹

This system of beliefs is slowly eroding within the CF, as the organization becomes more open to society. The Somalia Inquiry has served to catapult the CF into professionalizing the institution and its members through better accountability, greater education and leadership training, and becoming a learning organization that shares experiences and knowledge with external groups and society.⁴⁰ As the officer corps becomes more educated and it receives better

³⁹ As an example of the concern regarding becoming an overly bureaucratic system or the civilianization of the CF, it is cautioned in the Foreword of the *ISRM in Defence* that management of risk management must not become the issue rather than the management of risk itself. It must be ensured that only value added activities are incorporated into the planning and risk management regimes. This assertion is also based on the author’s personal observations after 23 years of services in the CF.

⁴⁰ The Somalia Commission of Inquiry is the investigation of alleged violence perpetrated against Somalis at a Canadian military compound in Somalia in 1993, during a United Nations peacekeeping mission. The Somalia Inquiry Report was released in 1997.

exposure to civilian management practices, it builds a capacity for greater critical thinking and helps develop an awareness of the deficiencies within the CF. Education imparts the officers with theory and tools to make improvements within the system. One of the strategic objectives of the *Officership 2020* program is to “develop and sustain a leadership climate that encourages initiative, decisiveness and trust while improving our leader’s abilities to lead and manage effectively.”⁴¹ Officers are now more open to adopting innovative civilian best practices within the CF, such as integrated risk management. As well, the CF already uses certain theoretical management models that are very similar to what can be found in industry, but labels it through different terminology.

Caplow and Vennesson in their study on civil-military relations and the civilianization of armies explain that armies typically follow an evolution pattern that does not always belong only to itself; it follows the progress taking place in the civilian sector.⁴² Though military institutions are adopting characteristics of large civilian bureaucracies, mainly driven by technology, informatics and economics, “professionalization” does not equate to “civilianization”.⁴³ They assert that “professionalization” reaffirms the distinctive characteristics of military institutions. Based on the description of risk and risk management provided in Chapter 1, this section puts forth that instituting integrated risk management is part of the CF “professionalization” process and contributes to a commander’s capability to ensure mission success. It speaks to establishing,

⁴¹ Department of National Defence, *Canadian Officership in the 21st Century (Officership 2020): Strategic Guidance for the Canadian Forces Officer Corps and the Officer Professional Development System* (Ottawa: Chief of Defence Staff, February 2001), 2. Officership 2020 is a strategy for reforming the Canadian Officer Corps and the officer professional development system that officers get the education, training and experience they need to meet the challenges and demands anticipated for the next 20 years.

⁴² Theodore Caplow et Pascal Vennesson, “Les relations armée-société et armée-État”, Chapitre 2 dans *Sociology militaire: Armee, guerre et paix* (Paris: Armand Colin 2000), 36.

⁴³ *Ibid.*, 41.

through a structured framework, a philosophy and method in which leaders at all levels effectively manage and mitigate risks, while leading the institution and the people in a very intricate and dangerous military environment.

MANAGING RISKS IN A COMPLEX MILITARY ENVIRONMENT

In this new era of globalization and post-Cold War altered strategic and social environments, nations now face complex multi-polar pressures. These consist of emerging power centers, new strategic alliances and rivalries, and rogue states and terrorist groups with radically different ideologies that are willing to gamble the lives of their people, and behave unpredictably. The Government of Canada's revitalized commitment in building a more secure world is clearly delineated in its International Policy Statement (IPS).⁴⁴ It outlines how the CF will be increasingly engaged in military operations that are inherently more dangerous and risky. Military leaders are therefore expected to operate in these new complex, unfamiliar and hazardous environments that can lead to:

...widespread loss of life or serious injuries, mission failure, loss of or damage to high value materiel and equipment, environmental degradation, significant collateral damage to civilian communities and populations, or negative political repercussions at the local, national, or international level.⁴⁵

The consequences of error could be devastating; this is why the Canadian Forces as an institution is considered to be a high reliability organization.⁴⁶ Along those same lines, deployed Health Services units not only face similar risks since they deploy in the same unpredictable

⁴⁴ Department of Foreign Affairs and International Trade, *Canada's International Policy Statement...*, 11-16.

⁴⁵ Department of National Defence, *Leadership in the Canadian Forces – Conceptual Foundations*. (Ottawa: DND Canada, 2005), 76.

⁴⁶ *Ibid.*, 76.

environments, they must also understand the risks faced by the operators and be prepared to prioritize and effectively react to the effects of the new threats.

The risks may be different in an operational and non-operational environment. The part of the institution that is non-operational exists exclusively to develop the capabilities that ensure operational effectiveness and mission success, and achieve government goals. According to the CF leader-system/institution-environment framework, there are four ways to achieve this capability and influence organizational performance:

- Adapting systems and the CF to the external environment through strategic forecasting, planning, and initiation and implementation of strategic change;
- Influencing the external environment through direct advice, partnerships or co-operative arrangements, public affairs activities, and professional networks;
- Achievement alignment across organizational systems and sub-systems through the communication of strategic intent, formalization of policy and doctrine, control of activities and resources, and performance management; and
- Exercising stewardship of the profession through the strengthening of professional capabilities and culture.⁴⁷

These methods represent the high level activities that are conducted by senior leaders to develop and sustain the high-end systems required to create the conditions for institutional growth and effectiveness at the strategic and professional level. Ultimately, it achieves operational success. As a high reliability organization, it is evident that the non-operational domain of the CF also entails critical cross-boundary institutional risks that require management in a rigorous and integrated fashion. This is most applicable to the CFHS as the boundaries extend beyond DND

⁴⁷ Department of National Defence, *Leadership in the Canadian Forces...*, 100.

for health services accreditation, certification, professional licensure, and civil-military partnership issues.

RELATIONSHIP TO THE COMMAND AND CONTROL PROCESS

Risk management within the context of the CF is part of the Command and Control system. The function of managing risks represents a Control mechanism, a tool to support commanders in their responsibility to manage resources effectively and care for the well being of their troops in order to accomplish a mission. Control mechanisms are normally imposed within military organizations through the Chain of Command, and are achieved through policy, doctrine, Standing Operating Procedures (SOPs) or Tactical and Technical Procedures (TTPs), automated systems and hardware such as weapons systems and equipment.⁴⁸ As Pigeau and McCann explain in their perspectives on clarifying and differentiating the concepts of Command and Control: “A good Control system will marshal and coordinate available resources in a systematic and ordered way, with appropriate checks and balances in order to efficiently accomplish mission objectives with as little uncertainty as possible.”⁴⁹

A Control measure such as risk management is meant to enhance the Command process, not deter from it or again, add a layer of bureaucracy. Performing risk management in a structured manner enables the commander to have greater Situational Awareness (SA) of probabilities and builds a capacity to foresee problems and opportunities. This permits a shift from being reactive to events, to being able to anticipate the risks involved in military and

⁴⁸ Canadian Forces College, “Putting “Command” back into Command and Control: The Human Perspective” (Command and Staff College 32 Activity Package C/LS/LCP 303/DI-1 Command and Control, and Staff Functions, 2005), 5.

⁴⁹ *Ibid.*, 4.

professional activities early on, and make decisions with respect to the amount of risk that he or she is willing to tolerate. It provides flexibility in planning and decision-making, and achieves gains in time and space in prioritizing and mitigating significant institutional, operational, collective and individual level risks. Risk management will also allow the commander to pre-empt and seize opportunities to gain the advantage to shape the situation and set the conditions for success.

Pigeau and McCann propose that the authority and responsibility vested in commanders makes them accountable for their actions, which is a strong motivator to do well in all aspects of Command and Control.⁵⁰ They give emphasis to the importance of Control processes remaining subordinate to the Command processes. Indeed, it is a Command responsibility to initiate the Control process, and to direct an adjustment or change in the Control measures as the mission and priorities change. Ideally, through the commander's intent and command philosophy, the flexibility of the staff to alter the Control process within certain limits in order to achieve the commander's objectives should be made clear.

It can be concluded that risk management in the military realm is a critical Control measure that should be initiated and sustained by a Commander as part of the Command and Control responsibilities. The Command responsibility, including within the CFHS, involves providing high-level top-down direction on how and when risk management is to be performed. Staff responsibility is to understand the commander's intent and research and develop the risk management tools that most suit the needs of the organization/formation.

⁵⁰ Command and Staff College, *Putting "Command" back into Command and Control...*, 6-7.

DND/CF INTEGRATED RISK MANAGEMENT (IRM)

The DND/CF *Integrated Strategic Risk Management (ISRM) in Defence* is based on a hierarchy of documents and initiatives that originate from the federal government's 1997 management reform. The document entitled *Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada*, was meant to create a better understanding of what modern comptrollership is about, to provide leadership and “develop the culture and the capacity for controllership that is required for substantial progress to be made in achieving the government's objectives.”⁵¹ The report highlighted risk management as one of the key elements that would enhance management within the public service. That same year, the Government also announced a reorientation of Treasury Board to a Management Board, which represents a refocus from specific transactions to taking the lead in comptrollership and dealing with broader issues of direction and Business Plan.⁵² Expected to provide leadership in the improvement of management practices, Treasury Board released *Results for Canadians: A Management Framework for the Government of Canada*, which provides a coherent and modernized framework for the management of the government.⁵³ As a result of its new management board mandate and as part of modern controllership, Treasury Board subsequently published in April 2001 the *Integrated Risk Management Framework*, considered the lead risk management document designed to provide guidance on a systematic approach to managing

⁵¹ Government of Canada, *Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada* (Ottawa: Government of Canada, 1997), 1.

⁵² *Ibid.*, 70. Treasury Board's reorientation would permit the Government to strengthen the management practices within the Public Service in order to protect public interest and maintain public trust. Integrated risk management is a central part of the modernization. The new mandate led to in depth research and consultation on risk management by Treasury Board, resulting in the finding that risk management required a systematic corporate approach and a common understanding of this concept.

⁵³ Government of Canada, *Results for Canadians: A Management Framework for the Government of Canada* (Ottawa: Treasury Board, 2000).

risks, department-wide and across the government.⁵⁴ It included initial guidance on how to start implementing such a program. Giving additional credence to the importance of risk management within government, the Treasury Board elements of modern controllership identified in April 2003 in *Modern Controllership Practices: Towards Management Excellence* identified risk management as one of the seven key elements of the Comptroller Capacity Check.⁵⁵ Furthermore, within its *Management Accountability Framework* released in June 2003, Treasury Board identified four indicators of Management Excellence within the domain of risk management: key risk is identified and managed; risk lens in decision-making; risk-smart culture; and capacity to communicate and manage risk.⁵⁶

In response to government direction, the Department of National Defence (DND) released in April 2001 the *Integrated Strategic Risk Management (ISRM) in Defence*, a document intended to compliment the Treasury Board's risk management initiative and manage strategic corporate risks. The document acknowledges that its corporate business practices, conducted within the Defence Management System (DMS) and the operational planning process, have permitted a continuous and robust process of risk management.⁵⁷ Nevertheless, DND recognizes that there is room to improve the risk management capacity within the organization, particularly since the concept has now been so well defined within government. DND is

⁵⁴ Government of Canada, Treasury Board, *Integrated Risk Management Framework* (Ottawa: Treasury Board of Canada Secretariat, 2000), available from http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/RiskManagement/siglist_e.asp; Internet; accessed 29 September 2005.

⁵⁵ Government of Canada, Treasury Board, *Modern Comptrollership Practices: Towards Management Excellence* (Ottawa: Treasury Board, April 2003). The seven key elements of management excellence identified in this document are: strategic leadership; motivated people; Shared values & ethics, integrated performance information; mature risk management; rigorous stewardship; and clear accountability. The Comptroller Capacity Check is a tool used to perform a baseline assessment of comptrollership capabilities.

⁵⁶ Government of Canada, Treasury Board, *Management Accountability Framework* (Ottawa: Treasury Board Secretariat, June 2003), 5.

⁵⁷ Department of National Defence, *Integrated Strategic Risk Management in Defence...*, 2.

prepared to reinforce and formalize the existing risk-smart culture through its *ISRM in Defence*, without losing sight of the strong elements of risk management that are already entrenched in the system. The Strategy 2020, the Planning, Reporting & Accountability Structure (PRAS) and the Capability-Based Planning form the basis of this program. The CFHS falls within the DMS cycle and its accountability structure through its Level 2 Business Plan. The *ISRM in Defence* includes direction to subordinate elements to assess whether their own specific needs warranted the development of their own practices:

Subordinate levels, projects and specific operations, while benefiting from a strategic environment founded upon risk smart concepts, must embrace the elements of risk management introduced here and use them in their decision making and communication activities to round out the risk management environment. Subordinate levels may deem it appropriate to formally prepare risk management processes, such as was done in the office of the CF/DND Legal Advisor.⁵⁸

In April 2003, the Auditor General of Canada audited six government departments on the status of their organization's Integrated Risk Management Framework. It concluded in its report that all departments had major elements missing from their program, they remained at the initial stages of implementation, and lacked robust action plans to carry out government direction.⁵⁹ Of note, the Auditor General Report identified senior management support, a common strategy and framework, clearly assigned responsibilities for implementing IRM and a continuous approach for managing risks as the most critical factors observed in other external organisations in being able to successfully implement Integrated Risk Management.⁶⁰

⁵⁸ Department of National Defence, *Integrated Strategic Risk Management in Defence*, 2.

⁵⁹ Government of Canada, Office of the Auditor General of Canada, *Report of the Auditor General of Canada on Integrated Risk Management* (Ottawa: Auditor General, 2003), 1-2. To note that DND was not included in this audit.

⁶⁰ *Ibid.*, 5.

In that same vein, Chief of Review Services conducted a joint assessment with Deloitte and Touche on the implementation status of the IRM within DND/CF. The findings are outlined in the document entitled *Baseline Study: Integrated Risk Management within the DND/CF*. The report concluded that “overall, the DND/CF has not yet embraced IRM.”⁶¹ Although it recognized the sophisticated and effective process used to mitigate operational risks through the operational planning system, it assessed that IRM was not clear at the corporate level or through military support activities. Notwithstanding the fact that certain areas within Level 1s possess greater maturity in their risk management practices, Table 2.1 summarizes the shortfalls within DND and the CF against the elements that are considered key in IRM. It is evident that a systematic process for risk management is not yet implemented organization-wide.

One of the six key recommendations from this study is highly applicable to the CFHS. It states that subordinate level units should delineate the areas where a more thorough IRM approach is required, giving emphasis to four areas that demand particular attention. The first area includes the functions that affect safety or security of personnel, such as ammunition, military operations and training, health services, and general safety. One can assume that herein lies the critical aspects of patient safety and population health effected by health services. Moreover, the CFHS has general responsibilities with respect to all other areas mentioned; particularly health services operations. The second area involves functions that are regulatory or legislative in nature, and areas where the precautionary principle may apply in technical or science-based spheres. Again, this is exceedingly relevant to the health services, as professional regulating bodies strictly regulate health professionals and their practice. This practice is also driven by research and scientific evidence. The third area is that which directly affects public

⁶¹ Department of National Defence, Chief of Review Services, *Baseline Study: Integrated Risk Management Within the DND/CF* (Ottawa: DND Canada, 2004). II.

safety. This is applicable to the CFHS as it integrates its health care providers in civilian health services organizations for maintenance of clinical skills, participating in the provision of care to the Canadian public. CFHS personnel also provide medical intervention to the civilian population during disaster relief or domestic operations. The last area includes fields that have potential litigation consequences, a risk that is faced within any health care system or by health care professionals, by nature of the service provided and their accountability towards the protection of the public. The CFHS is subject to litigation through the Crown.

Table 2.1 – Comparison of IRM Key Elements against DND/CF Practices

<u>IRM Key Elements/Characteristics</u>	<u>The DND/CF Comparison (Generally)</u>
Continuous, dynamic risk identification as early warning	Relatively sporadic & annual identification
Possible risk events proactively identified before occurrence	Largely reactive to risk event occurring
Systematic process in place	Risks considered principally as they related to business planning
Strucuted analysis of likelihood & impact	Mainly intuitive analysis, although pockets where structure used
Everyone identifies risks	Mostly a manager’s responsibility to identify risks
Organization-wide process	Process not yet in place
Risk managed at lowest practical level	Risk tolerances often not known or communicated; therefore, difficult for lower levels to manage risk
Risk prioritized	Unstructured prioritization
Reporting of prioritized risks upward	Reporting partially through annual business planning
Mitigation plan commensurate with severity & likelihood or risks	Few mitigation plans based on risk assessment
Open communication or risks	Limited horizontal communication

Source: CRS and Deloitte & Touche: Baseline Study: Integrated Risk Management Within DND/CF, III.⁶²

⁶² Department of National Defence. *Baseline Study: Integrated Risk Management...*, III.

These risk areas as they relate to the health care domain are explored in greater detail in Chapters 3 and 4. It is evident however that through the recommendations described above; CRS is clearly identifying a distinct requirement for an integrated and formal approach to risk management within health services.

SUMMARY

A hierarchy of documents within government prescribe the development and implementation of an Integrated Risk Management Framework in every government sector, including DND and the CF, department-wide. Neither the CF nor the CFHS should be overly concerned about detrimental effects to the operational focus of their business in adopting industry practices such as Integrated Risk Management. On the contrary, instituting Integrated Risk Management can be considered part of the CF “professionalization” process whereby the institution strengthens its management processes and develops a risk-smart culture at every level of the organization. As an internal control mechanism, risk management in the complex military sphere is a vital Control measure that is initiated and sustained by a Commander as part of his or her Command and Control responsibilities.

The *ISRM in Defence* provides some general guidance to Commanders and their staff on Integrated Risk Management. It emphasizes a continued reliance on the management tools already in place, such as the components of the Defence Management System, an integrated process to which all Level 1s and subordinate units carry out, including the CFHS. Nevertheless, the direction set out remains at the strategic level and does not provide a common framework or approach for DND/CF. Both the ISRM and the CRS Baseline study on IRM recognize that certain areas may require more rigorous processes because of the nature and gravity of the risks

they potentially face. The health services domain in particular is singled out for reasons of safety of personnel, public safety, legislation, science-based, and litigation issues. These concerns are the linchpin of Integrated Risk Management becoming a standard in Canadian health care organizations, further adding fuel to the proposal that CFHS requires a corporate-wide integrated approach to managing risks that extends beyond what is currently in place for DND/CF.

CHAPTER 3 - RISK MANAGEMENT IN A HEALTH CARE ENVIRONMENT

INTRODUCTION

The emphasis placed thus far in this paper relates to risk management activities in industry. This should not come as a surprise. To understand risk management within the health care field, one must appreciate the conventional concepts and methodologies that originated and are used in the business management field. Even the direction set out for government departments by Treasury Board has its foundations from emerging ERM concepts and tools developed in the business world.⁶³ ERM is only at the beginning stages of acceptance and utilization in the health care sector. It started emerging in the United States in its present form as a recognized health care management discipline after the malpractice crisis in the mid-90's. It has only taken on a strong influential financial, operational and strategic management role since 1999.⁶⁴ The risk management epiphany in 1999 was largely due to the release of *To Err is Human: Building a Safer Health System*, a landmark study conducted by the Institute of Medicine (IOM) on the widespread and significant error rates in US hospitals and their devastating consequences.⁶⁵ In terms of creating safer systems, the report acknowledges that

⁶³ Through the process of identifying international best practices in risk management in the private and public sector, Treasury Board has consolidated a comprehensive annotated bibliography that includes a list of 228 industry-based publications (*Best Practices in Risk Management: Private and Public Sectors Internationally*, October 1999).

⁶⁴ Ward R.H. Ching, "Enterprise Risk Management: Laying a Broader Framework for Health Care Risk Management," Chap 1 in *Risk Management Handbook For Health Care Organizations*, edited by Roberta Caroll for the American Hospital Association Company (San Francisco California: Jossey-Bass Inc, 2004), 4. The crisis relates to the rapid rise in liability claim costs and insurance premiums, and the subsequent failure of a number of major US liability insurers.

⁶⁵ Published by the Committee on Quality Health Care in America, this report received international attention and is frequently cited in the literature as the turning point whereby organizations from many countries recognized the crisis at hand in patient safety and begun to embrace ERM as a effective method to address a myriad of complex health care risks and improve patient safety. For example, see Jane J. McCaffrey and Sheila Hagg-Rickert "Development of a risk Management Program." Chap 4 in *Risk Management Handbook For Health Care*

health care is decades behind other industries, and that health care is a leading cause of injuries and death. Since the release of the report, risk management in health care has progressed from focusing on professional liability issues to focusing on a systems approach. For example, Power notes that:

Clinical risk management was originally conceptualised in terms of accidental harms done to patients during the care delivery process; it has subsequently become part of a regulatory regime concerned with the effectiveness of health care in general, a matter of health care organization rather than specific clinicians.⁶⁶

Nevertheless, barriers remain; the fragmented structure and complexity of most health care systems continue to impede lasting progress in building a safe health care system.

This chapter examines how ERM directly contributes to patient safety and a culture of quality and safety in health care. The patient safety initiatives taking place in the US, Australia and Canada are reviewed to demonstrate the link between ERM and patient safety, and provide further evidence of the importance of ERM in health care. This chapter also describes the role of accreditation as a main driving force behind health care risk management, focusing on the Canadian accreditation standards to which the CFHS must abide. The key components of a corporate health care risk management program are identified based on the literature, with a view to assess the extent to which the Treasury Board IRMF and the DND/CF ISRM in Defence can meet the integrated risk management needs of the CFHS as a health care system.

Organizations, edited by Roberta Carroll for the American Hospital Association Company, (San Francisco California: Jossey-Bass Inc, 2004), 96, and the Australian Council for Safety and Quality in Health Care, “Patient Safety: Towards Sustainable Improvement,” Fourth Report to Australian Health Minister’s Conference, (Australia: Safety and Quality Council, July 2003), 2.

⁶⁶ Power, *The Risk Management of Everything...*, 24.

LINKING ERM TO PATIENT SAFETY

On the international scene, developed countries experience different challenges with regards to health care, based on their own health system. However, the risks they face derive from universal trends in health care and in business, and the fact that health care remains the most regulated industry. A common theme that is developing after over a decade of wrestling with multifaceted issues and advances in health care systems is that countries are presently investing greater effort and resources on redefining and improving patient safety and quality of care in order to achieve an overall safer health care system. ERM is largely viewed as an essential component of this endeavour.

In the United States, the focus on reducing or eliminating medical errors appears to be the thrust behind improving patient safety through the development of safe systems of care. As listed in Table 3.1, Kizer includes risk management activities in the characteristics of a culture of safety during the multidisciplinary conference *Enhancing Patient Safety and Reducing Errors in Health care*.

Table 3.1 - Characteristics of a culture of safety

Characteristics of a culture of safety
<ul style="list-style-type: none"> • Acknowledgement of risk and responsibility for risk reduction • Errors recognized and valued as opportunities for improvement • Non-punitive and safe environment; freedom from fear • Honest and open communication with confidentiality of information • Mechanisms for reporting and learning • Mechanisms for restitution and compensation for injuries • Organizational commitment, structure and accountability

Source: Kenneth W. Kizer, “Large System Change and a Culture of Safety,” 31.

In their groundbreaking report *To Err Is Human: Building a Safer Health System*, the IOM Quality of Health Care in America Committee is changing the way errors and patient safety is viewed. It describes safety as having the following multiple dimensions:

- an outlook that recognizes that health care is complex and risky and that solutions are found in the broader system context;

- a set of processes that identify, evaluate, and minimize hazards and are continuously improving, and
- an outcome that is manifested by fewer medical errors and minimized risk and hazards.⁶⁷

The risk management literature produced post-IOM report supports this model. Kuhn & Youngberg relate that although in the past, the protection of the hospital's financial security and its reputation was the number one goal when dealing with medical errors through risk management activities; the concepts introduced by the IOM are changing the discourse. They state that now the number one goal is to improve patient safety. There is recognition that "medical errors are inherent in the work of health care providers," and that this new theme is changing the perception about medical errors.⁶⁸ They are often the result of intricate interactions of multiple factors within the system, and are rarely due to the carelessness of individuals. Thomas W. Nolan further stresses that human memory is frail and that medical errors are often attributable to human cognition, hence their risk is predictable.⁶⁹ He refers to the "blunt end of the system" - which consists of the institutional context, the organisation and management, and work environment - as the less obvious factors that contribute to errors. These factors represent the systems which need to be designed to either help prevent errors, to make them detectable so they can be interjected, and to provide the means to mitigate them. The underlying system design is what must be enhanced to achieve patient safety rather than only concentrating on the

⁶⁷ Institute of Medicine, *To Err Is Human: Building a Safer Health System*, a report by the Committee on the Quality of Health Care in America, ed. by Linda T. Kohn, Janet M. Corrigan, and Molla S. Donaldson (Washington, D.C.: National Academy Press, 2001), 80.

⁶⁸ A. M. Kuhn and B. J. Youngberg, "The need for risk management to evolve to assure a culture of safety." *Quality and Safety in Health Care* 11, no. 2 (2002): 159.

⁶⁹ Thomas W. Nolan, "System Changes to Improve Patient Safety," *BMJ* 320 (March 2000): 771.

attributes of the individual. Kuhn & Younberg explain that ERM, integral to the system design, must be reoriented towards that end:

We must be part of a team that constructs a root cause analysis of systems and structures in advance of those risks actually materializing, thus embedding a risk management discipline into the fabric of health care operations and corporate and strategic planning.⁷⁰

Despite these encouraging messages, a preponderance of US health care risk management literature continues to impart an organizational self-protective intent. It over emphasizes prevention of financial loss and protection against malpractice claims rather than patient safety as the ultimate goal.⁷¹ This narrow focus on the part of the risk management discipline could be detrimental to moving the patient safety agenda in the US. It may also distort the perception of the applicability of risk management in the public health care sector.

Australia provides an appealing model for patient safety reform through its tabling of the 2003 report *Patient Safety: Towards a Sustainable Improvement* by the Australian Council for Safety and Quality in Health Care.⁷² This document acknowledges the impact of the report by the US Institute of Medicine on the Council's approach to patient safety and centers on the patient rather than the organization at the heart of its safety agenda: "Our goal must be embedded patient-centered, safety focused values in the culture of every health care setting but

⁷⁰ Kuhn and Youngberg, *The need for risk management to evolve...*, 159.

⁷¹ The following publications provide examples of the continued focus on protecting the institution: Steve S. Kraman, and Ginny Hamm, "Risk Management: Extreme Honesty May Be the Best Policy," *Annals of Internal Medicine* 131 (1999), and the American Hospital Association Company, *Risk Management Handbook For Health Care Organizations*, ed by Roberta Carroll. (San Francisco California: Jossey-Bass Inc, 2004).

⁷² Government of Australia, Australian Council for Safety and Quality in Health Care, "Patient Safety: Towards Sustainable Improvement," Fourth Report to Australian Health Minister's Conference (Australia: Safety and Quality Council, July 2003).

most particularly as part of the core value set of those providing governance of the health system.⁷³ The vision communicates this intent, as shown in Table 3.2.

Table 3.2 – Vision of the Australian Council for Safety and Quality in Health Care for a safer health care system

<p>Council’s vision for a safer health care system is one that:</p> <ul style="list-style-type: none"> • is people-centered, so that patients feel comfortable as partners in their own health care, and teams of health professionals are encouraged to work together effectively for the care of each patient; • has a culture of learning for quality improvement, with honest and open communication, and mechanisms for measurement and reporting that provide data for systems improvement and for accountability; • supports multidisciplinary approaches, and encourages development of practical initiatives that provide strategies and tools for improving safety and quality that can be transferred to other settings; and • constantly strives to eliminate error and improve systems design to make health care safer.

Source: SQHC. *Patient Safety: Towards Sustainable Improvement*, Fourth Report to Australian Health Minister’s Conference, iv.⁷⁴

Noteworthy is that the fourth element in Table 3.2 refers directly to risk management activities by emphasising the importance of eliminating errors and designing safer systems. Nevertheless it can be argued that all four elements of this holistic approach to patient safety represent risk management measures.

The Canadian study that is most influencing the way ahead in health care is the Romanow Report released in November 2002. One of its deductions is that Canada lags behind countries such as the United States and Australia in terms of having national strategies to improve quality and patient safety.⁷⁵ Just like the other countries, Canada lacks information on

⁷³ Government of Australia, *Patient Safety: Towards Sustainable Improvement*..., i.

⁷⁴ *Ibid.*, iv.

⁷⁵ Government of Canada, Commission on the Future of Health Care in Canada, *Building on Values: The Future of Health Care in Canada – Final Report* (Ottawa: Government of Canada, November 2002), 186.

the performance of the health care system and its quality. The vision outlined in the Romanow Report encompasses seven elements, of which two specifically link risk management activities to patient safety:

Risks to patient safety are reduced as much as possible; and information and data are collected and used to support quality management and improvements to the health care system over the long term, with particular emphasis on monitoring and reducing the number of serious adverse events that affect patient safety.⁷⁶

A common aspect of patient safety outlined in the US, Australian and Canadian initiatives described above is the requirement for centralized and high level oversight and coordination to make significant progress in patient safety within health systems. This construct aligns itself well with the notion of “integrated” risk management. The Australian council has established a *National Center for Patient Safety Improvement* to direct national processes for system improvements. It functions as a repository for the collation and analysis of national safety and quality data, and provides a “national picture” of safety in health care.⁷⁷ The IOM recommended that the US Congress create a Center for Patient Safety within the Agency for Health Care Research and Quality. This Center would permit setting national standards for patient safety, monitoring progress, evaluating methods for identifying and preventing errors, and communicating activities to improve patient safety system-wide.⁷⁸ Similarly, the Canadian Government established the *Canadian Patient Safety Institute* in 2003 with a mandate to “provide leadership and coordination in building a culture of patient safety and quality improvement throughout the Canadian health care system.”⁷⁹

⁷⁶ Commission on the Future of Health Care in Canada. *Building on Values...*, 152.

⁷⁷ Government of Australia. *Patient Safety: Towards...*, vi.

⁷⁸ Institute of Medicine. *To Err is Human...*, 7.

⁷⁹ Canadian Patient Safety Institute web site, www.patientsafetyinstitute.ca; Internet accessed on 12 March 2006. CPSI is a not-for-profit corporation functioning independently of government and other stakeholders.

The World Health Organization (WHO) also understands the value of centralized coordination, launching the World Alliance for Patient Safety in October 2004. The mandate of the Alliance consists of assisting in finding solutions to reduce the risk of health care and improve its safety, and promoting and sharing existing successes in patient safety around the world. Consolidating its commitment and the provision of leadership in this field, the WHO also designated in August 2005, the Joint Commission on Accreditation of Healthcare Organizations and the Joint Commission International (JCI) as the world's first WHO Collaborating Centre dedicated to patient safety.⁸⁰

The establishment of these national and international patient safety forums sends a strong message to health care organizations that patient safety has become one of the critical issues in health care in the 21st Century and must be addressed in a deliberate and integrated fashion. These patient safety forums reflect three common principals: 1) integrated risk management activities are key to achieving patient safety goals; 2) there should be a lead element to champion patient safety and the associated risk management processes; and 3) there is a requirement to centralize at the corporate level the activities related to gathering and analysing patient safety information and associated risks, and creating and disseminating solutions to mitigate risks. These principals are very similar to the ERM best practices found in industry, with the exception that patient safety rather than organizational loss is the ultimate goal. Furthermore the involvement of accreditation bodies with the WHO with respect to promoting patient safety

⁸⁰ The JCAHO is an independent non-for-profit organization. It is largest health care accrediting body in the US. The JCI is a non-for-profit affiliate of the JCAHO that provides leadership in international health care accreditation and quality improvement. It will function as the operational arm for the World Alliance for Patient Safety. See World Health Organization, *World Health Care Organization Partners with Joint Commission and Joint Commission International to Eliminate Medical Errors Worldwide*, News release (WHO: 23 August 2005), available from www.who.int/patientsafety/newsalert/who_final.pdf; Internet; accessed on 16 March 2006.

internationally and reducing risks in health care represents a key indicator of the critical role that accreditation plays in integrated risk management and building safer health care systems.

THE ROLE OF ACCREDITATION IN ERM

In Canada, accreditation is a voluntary activity. It involves a tremendous amount of effort, staff work, and resources on the part of health care organizations to prepare for an accreditation survey, while concurrently continuing to provide health care services. It also represents a trying and costly endeavor. Therefore the question that begs to be asked is why do organizations bother to seek accreditation? Kathleen Stillwell suggests two main reasons, public confidence and medical ethics. Firstly, the public is increasingly taking personal responsibility for their health, has a growing interest in the health care system, and believe they have a right to access information on their provider.⁸¹ They expect the highest quality of care, and demand proof and accountability on the organization's effectiveness and the quality of care it provides. Secondly, she explains that:

...it is the right thing to do to demonstrate an organization's commitment to following established rules and regulations. The principle of providing the best possible service and looking for ways to constantly improve that service is a core part of the medical ethic for individual caregivers as well as provider organizations.⁸²

Accreditation is the process used to evaluate and improve the quality of health services. It provides a framework for identifying quality within an organization and developing Continuous Quality Improvement (CQI) programs for areas requiring improvements. It provides

⁸¹ Kathleen Stillwell, "Accreditation, Licensure, Certification, and Surveying bodies," Chap 39 in *Risk Management Handbook For Health Care Organizations*, edited by Roberta Caroll for the American Hospital Association Company, (San Francisco California: Jossey-Bass Inc, 2004), 1073-1074.

⁸² *Ibid.*, 1074.

recognition through peer assessment that services meet national standards of quality. Through accreditation, accountability is demonstrated to the public, health professionals and other employees, health care authorities, and other stakeholders. O’Leary refers to accreditation as a risk reduction activity in that “theoretically, if organizations do the right thing all of the time, bad things are less likely to happen and good things are more likely to happen.”⁸³

The Canadian Council of Health Services Accreditation (CCHSA) is the national accreditation body for Canadian health care organizations.⁸⁴ It is also sharing its expertise internationally through the provision of accreditation and consultation services in Italy, Saudi Arabia, the United Kingdom, Ireland, and Kuwait, to name a few. The CFHS is a client of CCHSA since it elected to participate in the accreditation program under the purview of the Rx2000 Health Services Restructuring Project. The accreditation initiative addressed a specific recommendation from the CRS Services report on Medical Services.⁸⁵ In addition to the benefits already described earlier in this section, accreditation will enable the CFHS to compare its services to the civilian sector and ensure that they strive for and meet the same standards required from the Canadian health care sector. To this end, CCHSA produced in collaboration with the CFHS accreditation standards and guidance to meet the unique needs of the military

⁸³ Dennis S. O’Leary, “Organizational Evaluation and a Culture of Safety,” in Conference Proceedings of *Enhancing Patient Safety and Reducing Errors in Health Care*. (Chicago: National Patient Safety Foundation, c1999), 34.

⁸⁴ CCHSA is a “national, non-profit, non-government, independent body that offers health organizations a voluntary, external peer review process to assess quality by developing national standards, assessing compliance with those standards, and sharing information from accreditation reviews and decisions.” It was first incorporated in 1958. Canadian Council on Health Services Accreditation, *A look Inside Canada’s Health Care System: Canadian Health Accreditation Report 2004* (Ottawa: CCHSA, November 2005), i.

⁸⁵ Department of National Defence, *Chief of Review Services Report on Medical Services* (Ottawa: DND Canada, 1999). One of the recommendations from the report was to give consideration to seek accreditation of CF health care facilities to give CF members the assurance that they are provided comparable quality care to that which is available in the civilian health care sector.

environment and its population. Thus the CFHS must abide by the same requirements as other Canadian health care organizations with respect to the CCHSA standards for risk management.

CCHSA places great emphasis on risk management. It believes that “care cannot be of high quality unless it is safe,” and it expects that risk management and quality management activities work together to improve processes and outcomes, and to minimize risks.⁸⁶ CCHSA deals with risk management on two main fronts. First and foremost, the accreditation status granted to an organization is dependant on the risks identified during the accreditation survey. Every Standard and Criterion that is evaluated as having poor to fair compliance is immediately identified as a potential risk area for the organization. The surveyors then evaluate the area of risk within its context, based on the *likelihood* or *probability* of an adverse event occurring, if the issue is not improved or corrected; and on the *severity* of a related adverse event, or *potential for serious consequences* should it in fact happen.⁸⁷ These two aspects contribute to an *urgency* rating, which drives how quickly an organization must address the issue. The degree to which the risk is effectively managed and the evidence of system-wide risk or compliance issues will affect the accreditation status. The issues that have receive high urgency recommendations over recent years are normally related to organization-wide ethics and quality improvement concerns, and patient safety.⁸⁸

The second front lies within the Standards themselves. CCHSA has set out specific Standards requiring organizations to manage risk. For the Leadership and Partnership Standards, there is a section on risk management. The Standard is: “The governing body and managers

⁸⁶ Canadian Council on Health Services Accreditation, *Planning Models for Quality: Accreditation Resource Tools* (Ottawa: CCHSA, n.d.), 7.

⁸⁷ Canadian Council on Health Services Accreditation, *CCHSA's Accreditation Program 5th Ed, 2006 CD-ROM [CD-ROM]* (Ottawa: CCHSA, 2006).

⁸⁸ *Ibid.*

prevent and manage any risks to the organization.” The intent of this standard is made explicit: “The overall objective is to decrease risk and poor outcomes, and minimize liability. With increased integration of health services, including new relationships and new providers, there needs to be a coordinated and systematic risk management approach.” This standard includes two criteria. The first criterion is that *“The organization carries out a process to identify, report, assess, and manage risks.”* The process includes: 1) gathering and analyzing information from a variety of sources; 2) monitoring the risks that are posed by products purchased from suppliers; 3) considering ethics, values, and social costs and benefits, and reviewing the risk management practices of partners and other organizations when making decisions about how to manage risk; and 4) developing strategies for communicating risk management issues to different groups. The second criterion is that *“The governing body and managers actively support the organization’s risk management practices by:* 1) allocating resources to risk management practices; 2) making staff, service providers, and volunteers aware of their roles and responsibilities in managing risk; 3) encouraging risk management practices that are ongoing, dynamic, and integrated into the operational activities of the organization; and 4) requiring accurate, comprehensive, and timely information on expected levels of risk and other risk issues to help make decisions. During accreditation surveys, organizations are required to submit documentation that demonstrates their level of compliance with the standards. This normally entails items such as a risk management plan, supporting policies and procedures, documented examples of risk management information monitoring and mitigation and risk management education forums.

Further to these, every set of standards for clinical teams includes an evaluation on how they manage the risks that are specific to their area of responsibility. The standard is “The team

monitors and improves the quality of its services to achieve the best possible outcomes.” The intent for this standard is described as:

Quality improvement, managing risk, and managing utilization of services are critical to improving the overall quality of services, the performance of the organization, and its ability to achieve results. These activities need to be integrated and well coordinated across programs and across the organization.⁸⁹

An example of a criterion related to this standard, which is applicable in all clinical areas is:

*“The team has a process for reporting and recording incidents and adverse events ...”*⁹⁰ The standard and criterion make it clear that quality management and risk management work together to improve processes and outcomes, and to minimize risks.

CCHSA releases an annual report on accreditation aggregate findings, which includes information on how well health care organizations perform risk management. For 2004, 18% of recommendations were made in the area focusing on patient safety performance. Of those recommendations, 9% were related specifically to managing risks. The recommendations addressed three areas that were common shortfalls. First, “put in place a risk management program to educate providers and staff about common risk situations.” Second, “allocate resources to risk management and ensure that it is part of the organization’s overall quality improvement program.” Third, “ensure that all sectors are involved in risk management activities and that these activities are well documented.”⁹¹ These are recommendations that the CFHS, in its endeavor to obtain accreditation for its Health Services Centers, needs to pay attention to.

An additional feature of the annual accreditation report is that it provides a description of the leading practices in health care, which have been recorded during the accreditation surveys.

⁸⁹ Canadian Council on Health Services Accreditation, *CCHSA’s Accreditation Program 5th Ed.*

⁹⁰ *Ibid.*

⁹¹ Canadian Council on Health Services Accreditation, *A look Inside Canada’s Health Care System: Canadian Health Accreditation Report 2004* (Ottawa: CCHSA, November 2005), 17.

Leading practices (commonly known as best practices) are innovative practices identified by surveyors that are linked to a standard and offer an approach that other organizations can learn from and replicate.⁹² Although CCHSA has included four leading practices related to preventing and managing risk in an organization, one in particular presents interesting ideas for developing an Integrated Risk Management Framework:

The Winnipeg Regional Health Authority's (WRHA) Integrated Risk Management Framework is an excellent model that is well researched, developed and articulated at the senior levels of this organization. This comprehensive framework incorporates elements of business risk, resource risk, and compliance risk, allowing for a 360-degree identification, assessment and addressing of all risk issues for a complex organization. The model allows the region to combine the monitoring of both quality improvement and risk management activities, and will give each team in the region the tools to assess the potential risks and impacts. Using various industry standards, as well as the accreditation standards as a guide, steps to manage each risk area have been carefully identified. While still in its formative stages, the WRHA is currently educating and implementing this model throughout the region and firm processes have been built into this framework for monitoring and reporting on the outcomes of this framework, including a risk mapping process and a risk report card to the board.⁹³

The WHRA presents a number of noteworthy IRMF components and tools that strengthen and supports their quality improvement and risk management objectives. The elements of a risk management framework and the manner in which they are designed to interrelate determine the comprehensiveness and effectiveness of a risk management program in a health care environment.

KEY COMPONENTS OF A HEALTH CARE IRM PROGRAM

A number of themes or fundamental elements have surfaced from the literature as being key components of a reliable corporate health care risk management framework. This section

⁹² Canadian Council on Health Services Accreditation, *A look Inside Canada's Health Care System...*, 61.

⁹³ *Ibid.*, 62.

provides an overview of these elements, including governance and the components from the suggested Risk Management tools from CCHSA and from the Health Canada IRM framework. It is particularly relevant to examine Health Canada’s initiatives regarding IRM, since the organization has many commonalities with the CFHS. It has a federal mandate in the provision of health care, and it falls under the purview of Treasury Board’s Modern Controllershship and Management Accountability Framework, along with the requirement to implement an IRMF, based on Treasury Board guidance. This section will serve to identify the delta, if any, between the IRM components that are recommended or required within the health care field, and the components that have been included in the *ISRM in Defence*.

ERM Governance

The importance of good corporate governance and setting the tone from the top with respect to risk management was briefly described in Chapter 1. Horty and Hanslovan further describe the duty of care in health care governance as: “The mark of a good health care corporation, like that of any corporation, is the way it is governed. Governance determines how an organization is centered. Governance in health care is particularly important because of the responsibility of the organization to patients and to the community.”⁹⁴ CCHSA has identified that instituting integrated risk management throughout the organization is one of the standards to achieve with respect to good governance in health care. There are a number of mechanisms recommended in the literature in terms of how this responsibility can be carried out. A common approach within industry is appointing or hiring a Chief Risk Officer (CRO); “the advocates for

⁹⁴ John Horty and Monica Hanslovan, “Governance of the Health Care Organization,” Chap 3 in *Risk Management Handbook For Health Care Organizations*, edited by Roberta Caroll for the American Hospital Association Company (San Francisco California: Jossey-Bass Inc, 2004), 71.

the CRO position argue that ERM requires the focus of a dedicated senior executive.”⁹⁵ The CRO typically reports directly to the executive committee responsibilities such as:

- Provide overall leadership, vision, and direction for ERM;
- Establish an ERM framework for all aspects of risks across the organization;
- Develop risk management policies;
- Implement a set of risk metrics and reports, including losses and incidents, key risk exposures, and early warning indicators;
- Improving the organization’s risk management readiness through communication and training programs, risk-based performance measurement and incentives, and change management programs; and
- Developing the analytical, systems and data management capabilities to support the risk management program.⁹⁶

The responsibility of setting the direction and vision for Integrated Risk Management within the military is a commander’s responsibility, as suggested in Chapter 2. However, a senior officer designated to fulfill the risk management responsibilities of a CRO can provide the leadership in setting the framework and the continuity in implementing and managing such a program. He or she can provide an aggregate risk visibility to the commander. The decisions on what does or does not represent an acceptable risk fall to the commander or the managers; “each unit manages its own risk, according to the group policy and within a framework, but it’s their risk.”⁹⁷

⁹⁵ Alasdair Ross, *The Evolving Role of the CRO*, report produced for The Economist Intelligence Unit Ltd., sponsored by ACE Insurance, Cisco Systems, Deutsche Bank and IBM (May 2005), 5.

⁹⁶ Lam, *Enterprise-wide Risk Management and the Role...*, 4.

⁹⁷ Ross, *The Evolving Role of the CRO...*, 5.

Certain organizations believe that one individual cannot be expected to understand all the risks that an organization faces and have stood up a committee or group to govern over this responsibility.⁹⁸ In health care, the CCHSA standards do not require that there be specific staff dedicated solely to risk management. However, it expects the risk management practices to be integrated into the organization's business and quality management activities. Kuhn & Younberg support this concept when they note that: "managing risk is about corporate design and improvement and changing systems of work rather than a staff function assigned to an office or someone labelled 'risk management.'"⁹⁹ Hydro One Inc. in Ontario Canada, considered by many to be at the forefront of ERM, adopted a very effective and successful approach to establishing an ERM Framework.¹⁰⁰ They formed an Executive Risk Committee that consisted of the CEO and the most senior executives. The committee brought in a CRO and established a Corporate Risk Management Group for conducting ERM workshops and for the initial development and implementation of ERM. Over time, maturation of the program, and risk awareness, strategic risk management has become embedded in the various divisions. Thus, the level of effort for central management of ERM has significantly reduced. The Corporate Risk Management Group no longer has any full-time members, and the appointed CRO dedicates only 20% of his time to this role.¹⁰¹

⁹⁸ Hydro One is an example of such an organization, in Tom Aabo, John R.S Fraser, and Betty J Simkins. "The Rise and Evolution of the Chief Risk Officer: Enterprise Risk Management at Hydro One." *Journal of Applied Corporate Finance* Vol 17 (3) (2005): 20.

⁹⁹ Kuhn and Younberg, *The Need for Risk Management to Evolve...*, 158.

¹⁰⁰ Aabo *et al*, *The Rise and Evolution of the Chief Risk Officer...*, 19-20. The World Bank, the Toronto General Hospital/Universal Health Network, the Auditor General of Canada, and others firms from various sectors have visited Hydro One to learn from their successful experience with ERM.

¹⁰¹ *Ibid.*, 29.

Health Canada is adopting a similar approach in its implementation of an IRMF. Its Departmental Executive Committee (DEC) has established a management structure for IRMF. The DEC is providing overall leadership. It has identified the Director of the Planning & Special Projects Directorate / Modern Comptrollership Office as Health Canada's full time executive accountable for implementing the IRMF. This Director also chairs the IRM Network and manages the Office of Integrated Risk Management, which was established to develop and coordinate the IRMF implantation.¹⁰²

Based on the Hydro One and the Health Canada ERM/IRMF governance models, it can be concluded that for an organization such as the CFHS, a governance matrix solution is probably the most viable, with a senior executive appointed as the CRO to provide oversight. The Integrated Risk Management framework and policy approval, as well as a formal strategic risk management process should be embedded within the activities of the senior executive committee. Further to this, it is recommended that all CF H Svcs Gp HQ departments and Health Services units have a senior officer appointed to lead the implementation at their respective level, based on top-down direction and guidance.

Framework Components

CCHSA has identified four components of a proactive and integrated risk management strategy. *Risk identification* involves a thorough scan of the internal and external environments to detect risk areas. *Risk assessment* consists of an assessment of the probability of the risk occurring, as well as the impact or severity of consequences. *Risk control* requires taking action

¹⁰² Health Canada, *A Strategy to Implement Integrated Risk Management Framework in Health Canada* (Ottawa: Health Canada, 2001), 9-10. The IRM Network consists of senior officials from each Branch, region or areas of functional expertise that act as the lead for incorporating risk management in their respective areas.

to deal with risk by either preventing risk or controlling it. Lastly, *evaluation of risk management activities* includes: reviewing the frequency and severity of losses; analyzing incident and occurrence trends; reviewing policies and procedures that might prevent or minimize risk; assessing new or increased risk; and assessing the effectiveness of risk management education and communication strategies.¹⁰³ These components must be articulated in a comprehensive *Risk Management plan* or framework, which should be updated yearly. CCHSA also identifies *risk management education* as a critical part of successful integrated risk management. It recommends that the training be divided into three main areas. *Induction* orients the staff to the concepts of risk, risk management and the organization's risk management structure and policies. *Raising awareness* serves to internalize the concepts of risk management as everyone's business and helps create a risk-smart culture. *Specific training* involves in-depth risk management training to managers and a select group of staff that have specific responsibilities with respect to risk management and quality improvement initiatives.¹⁰⁴ Finally, CCHSA emphasizes the importance of *communicating the risk management plan* to internal and external stakeholders.

As already alluded to in the previous section, Health Canada has made impressive headway with regards to risk management. It developed in August 2001 a Decision-Making Framework intended to "provide a common, general basis for risk management decision-making throughout the Department."¹⁰⁵ At this time, this document only focused on health-related risks and did not fully respond to Treasury Board's Integrated Risk Management Framework, which encompasses a much broader corporate scope, including modern comptrollership, business

¹⁰³ Canadian Council on Health Services Accreditation, *Planning Models for Quality: Accreditation Resource Tools* (Ottawa: CCHSA, year unknown); 3-4.

¹⁰⁴ *Ibid.*, 5.

¹⁰⁵ Health Canada, *Health Canada Decision-Making Framework for Identifying, Assessing, and Managing Risks* (Ottawa: Health Canada, 2001), ii.

planning, ethics, and reputational risks. Health Canada acknowledged this and developed its own Integrated Risk Management Framework. Since then, it has embraced the IRM definitions, concepts and the framework provided by Treasury Board, and has built on those tools. Its Action Plan for implementing an IRMF is based on the four key elements of Treasury Board's IRMF, outlined in Chapter 2: develop a corporate risk profile; establish an IRM function, practice integrated risk management; and ensure continuous learning. Health Canada's Action Plan not only describes the key activities related to each of the four elements, it also suggests measures of success, action items to tackle the key activities, the person responsible for each action item, and target dates for completion.¹⁰⁶

A comparison is made in Table 3.3 of the key components of the Risk Management Plan suggested by CCHSA for accreditation purposes, and those of Health Canada's IRMF, which are based on its accountability to Government as a federal health care organization.

Table 3.3 - Comparison of CCHSA and Health Canada Key IRMF Components

CCHSA Key Components	Health Canada IRMF Elements <i>(Based on Treasury Board IRMF, Apr 2001)</i>
Risk Identification	Develop a Corporate Risk Profile
Establish a Risk Management Plan	Establish an IRM Framework
Risk Assessment Risk control Evaluation of Risk Management Activities	Practice Integrated Risk Management
Risk Management Education	Continuous Learning
Communicating the Risk Management Plan	<i>*communicating RM is subsumed in the Practice IRM and the Continuous Learning elements</i>

¹⁰⁶ Health Canada, *A Strategy to Implement Integrated Risk Management...*, 15-17.

This comparison table reveals that the components of the CCHSA and Health Canada risk management plan or framework are similar in structure and functionality. Both architectures provide a systematic approach to achieve integrated risk management organization-wide and cross artificial corporate boundaries. They are broad enough to be applicable to any health care sector and allow for innovation in the manner in which the framework is further developed. Both models provide organizational capacity for risks to be managed early at the strategic and subordinate levels in their planning and decision-making processes. A significant item that is not depicted in the table is the appointment of a senior executive to lead the implementation of IRMF within Health Canada. This is again in accordance with Treasury Board guidance and industry best practices, and represents a significant strength in the model.¹⁰⁷ Most importantly, neither the CCHSA nor the Health Canada model provides a different or supplementary element that is specifically related to health care and is beyond the Treasury Board IRMF. Furthermore, the literature of risk management in the health care field does not offer any additional elements that would not be encompassed under one of the key components presented in the comparison table. As already established in this paper, the greatest focus in health care is patient safety, quality care and error reduction. Therefore, combining quality improvement and risk management activities will enhance patient safety and develop a risk-smart culture. The reporting of incidents, sentinel events and near misses must also be part of the Integrated Risk Management process. Yet again, these essential elements would normally be identified under the Corporate Risk Profile of an organization and in the processes and practices established within the IRMF.

The inference that can be made following this assessment is that the Treasury Board IRMF, as a corporate level risk management architecture, provides an appropriate model for

¹⁰⁷ Treasury Board. *Integrated Risk Management Framework...*, 25-26, and in Health Canada, *A Strategy to Implement Integrated Risk Management Framework...*, 9-10.

health care. Health care organizations that adopt and further develop the Treasury Board IRMF to suit their respective needs, will be well poised to meet the Canadian health care standards set by CCHSA.

SUMMARY

An effective risk management program for health care institutions helps to ensure high quality of care and patient safety. The revolutionary report from the Institute of Medicine regarding errors in health care speaks loudly to this and has served as a wake up call on a world-wide scale. National and international literature and research identify patient safety and minimizing risks as the health care issue currently demanding the most attention. Organizations must change how errors are perceived; poor system designs are mostly at fault for errors in health care. Governing bodies and senior management of health care institutions must reorient their policies and procedures with a view to detect, prevent or mitigate risks. Patient safety enhancement initiatives in the United States, Australia, Canada and the WHO all point towards the deliberate and integrated management of risk as a key feature to patient safety and safer health systems. They recognize that improvements can only be made system-wide if patient safety data and enterprise-wide risks are monitored centrally, and addressed corporately as required.

CCHSA, which accredits health care organizations based on how effectively risks are managed, also links very convincingly risk management to patient safety. Integrated Risk Management is identified as an accreditation standard to be achieved organizational-wide. Health Canada which is a comparable organization to the CFHS uses the Treasury Board model for its IRMF. The structural design of both the CCHSA Risk Management Plan template and the Health

Canada IRMF includes equivalent key components, indicating that there are most likely no additional key elements required to the Treasury Board IRMF to suit requirements in the health care field. The Treasury Board IRMF is broad yet comprehensive enough to create a solid foundation towards an IRMF for the CFHS as a health system.

CHAPTER 4 - TOWARDS AN IRM FRAMEWORK FOR THE CFHS

INTRODUCTION

The Canadian Forces Health Services (CFHS) have been given the mandate to provide medical and dental care to CF members. The constitutional and legal basis originates from a number of official documents. Under the *Constitution Act* of 1867, Section 91 (7), the sole responsibility for all military matters, including military health care is assigned to the Federal authority.¹⁰⁸ The management and direction of the Canadian Forces is devolved to the Minister of National Defence through the *National Defence Act*.¹⁰⁹ Canadian Forces members are specifically excluded from the *Canada Health Act* of 1984 definition of insured personnel, and are excluded from insurance coverage under the Public Service Health Care and Dental Plans.¹¹⁰ This mandate involves governing and managing one of the Federal health systems. The CFHS is accountable to the Government of Canada for this mandate, unlike civilian health care organizations that are accountable to provincial health authorities. Being autonomous in the delivery and coordination of health care places an added burden on the CF, whereby “the CF leadership has strong legal and moral obligations to provide comprehensive care” in Canada and abroad, including dangerous operational areas.¹¹¹ The complexities of the unique military environment coupled with the obligation to provide health care that is comparable to that

¹⁰⁸ Department of Justice Canada, *The Constitution Act, 1867*, available from http://laws.justice.gc.ca/en/court/c1867_e.html#judicature; Internet; accessed on 2 April 2006.

¹⁰⁹ Department of National Defence, Canadian Forces Health Services, *Rx2000, A Prescription for Health Care Reform in the Canadian Forces: Just for the Health of It!* (Ottawa: CFHS, 2004), 4.

¹¹⁰ Department of Justice of Canada, *Canada Health Act*, updated 31 August 2004, available from <http://laws.justice.gc.ca/en/C-6/17077.html#rid-17084>; Internet; accessed 6 December 2005.

¹¹¹ Department of National Defence. *Rx2000, A Prescription for Health Care Reform...*, 4.

received by the Canadian population demands a competent system designed to absorb and mitigate risks.

The re-engineering project for the Canadian Forces Medical Services (CFMS) called OP PHEONIX caused the military health system to fall short in its mandate in the 1990's. Rx2000, the Health Services Restructuring Project, was established in January 2000 as a prescription to an ailing system. Rx2000 encompasses a multitude of initiatives meant to enhance the quality of care and services, thus improving patient safety. The CFHS has undergone tremendous change since the inception of Rx2000. From instituting a corporate Accountability Framework, implementing an innovative primary health care model, to initiating the accreditation process of its Health Services Centers, the project has turned the institution around. As part of this renewal, a variety of strategies, policies, and processes have been established organization-wide and by service area, which serve to enable more effective risk mitigation. An aspect that has not yet been developed however is a corporate level integrated risk management approach or framework for the CFHS.¹¹²

This Chapter explores the risk management building blocks that are already in place and the readiness of the organization in adopting an IRMF. This includes the changes under Rx2000 that have resulted in creating risk management processes and a culture of safety. The formal risk management plans and processes currently in place in CFHS are reviewed. The need for a corporate risk management framework within CFHS is assessed in light of all the current risk management activities within the organization and its constitutional mandate to govern and manage a health system. Is there added value?

¹¹² Capt (N) Jung, Student National Security Studies' Course (NSSC) and former Director of Health Services Operations, conversation, 16 January 2006. The conversation with Capt (N) Jung indicated that although a culture of risk management has flourished out of the Rx2000 initiatives, no formal integrated risk management process exist in the CFHS. Furthermore, no documentation was found in the research that would indicate that CFHS has a corporate-level risk management plan or related policies.

RX2000; A FOUNDATION FOR RISK MANAGEMENT

The concept of risk management has always been strong amongst the Canadian Forces health care providers. Their professional development is founded on managing the health risks to their patients and ensuring quality improvement within the health care domain. Most of the care providers in the CF are licensed health professionals whose practice is regulated by established standards, regulations, and a code of ethics through a legislated provincial professional regulating body. Licensure of CF health care professionals serves to ensure that professional standards are consistent with the public sector. These associations underscore the duty of care in protecting the public and promoting patient safety.

Despite the professionalism and remarkable commitment to providing high standards of care by CF health care providers, CFHS experienced a system failure and lost the confidence of the CF population. The military health system deteriorated in the mid to late 1990's to a point that it was no longer effectively supporting the clinicians or the support staff, and created great dissatisfaction from serving members. This system failure was caused by OP PHOENIX, a major re-engineering project initiated in 1993 with the aim to refocus the Canadian Forces Medical Services on operational primacy.¹¹³ At the time, the civilian-like in-garrison care system provided excellent quality services, but this was considered to be at the expense of the operational support capability. In-garrison care was believed to be of secondary importance by the CF senior leadership because the operational readiness support that was sustained within the complex in-garrison system was not well understood.¹¹⁴ OP PHOENIX led to adverse decisions

¹¹³ Department of National Defence, *OPERATION PHOENIX: Report on the Development of an Operational-Oriented, Viable and Cost-Effective Medical Support System for the For the Canadian Forces* (Ottawa: NDHQ, June 1995), 2.

¹¹⁴ Department of National Defence, Canadian Forces Health Services, "A Decade of Change: From OP PHEONIX to Project Rx2000," a draft Case Study Report (Ottawa: CFHS, February 2006), 1.

regarding the closure of medical facilities and the retention of experienced medical personnel, which negatively impacted on the medical services in-garrison and operational capability. After nearly a decade of poorly managed downsizing of in-garrison care within the CFHS, and the ensuing loss of the robust quality assurance mechanisms that were inherent in the former system design, CF members started suffering from the deterioration of the military health services.

A number of high-level DND reports were published outlining significant deficiencies and a general dissatisfaction by CF members and the Chain of Command with the military health care system. Namely, the 1999 Chief Review Services (CRS) review of the in-garrison medical services in the CF was the main impetus for major transformation.¹¹⁵ The report concluded that the Canadian Forces Medical Services (CFMS) consisted of “organizational and occupational stovepipes” operating without strategic direction or guidance, and lacking professional challenge.¹¹⁶ It was a change fatigued organization due to OP PHOENIX, with low levels of morale and diminished attitudes, affecting the services being offered to patients in an in-garrison setting. Although it acknowledged that the medical coverage to CF members exceeded that provided to insured Canadians, its delivery appeared to fall short of the civilian health care sector. More specifically, it stated that “CFMS falls short in the delivery of this capability due to administrative burdens, the perceived decline in service levels due to delays imposed by interfacing with provincial health systems, and customer service levels offered by the CFMS.”¹¹⁷

¹¹⁵ Department of National Defence, *Chief of Review Services Review of CF Medical Services – Executive Summary and Action Plan Resulting from the CDS Task Force* (Ottawa: DND Canada, 1999). Other key reports outlining serious medical services deficiencies include: the Board of Inquiry – Croatia Final Report (January 2000); the Lowell Thomas Report on the issue of potential contamination in the Croatian Sector South Region (May 2000); the McLellan Report on Care of Injured CF Members and their Families (November 1997); and the Standing Committee on National Defence and Veterans Affairs (SCONDVA) strategic report (October 1998).

¹¹⁶ *Ibid.*, ii-iii.

¹¹⁷ *Ibid.*, 2.

This was a broken organization with tremendous risk exposure originating mostly from internal factors and a dysfunctional system. A Chief of Defence Staff (CDS) Task Force was stood up to develop an action plan in response to the CRS review, and went beyond the CRS recommendations to address the areas that had been identified as requiring further study.

Rx2000, the Canadian Forces Health Services Reform project, was stood up in January 2000 as the prescription for correcting the deficiencies and renewing health care within the CF. The goal of Rx2000 is to “develop and implement solutions for reported health care deficiencies thereby improving the standard of health care provided to CF members at home and abroad.”¹¹⁸

The four health care reform objectives are as follows:

- To build a health care delivery structure that will ensure continuity of health care to CF members and other entitled personnel;
- To develop and implement an accountability framework for DGHS relative to the renewed CF health care system which, as a single corporate management entity under the leadership of DGHS
- To develop and implement programs for the mitigation of preventable injuries and illnesses to protect CF members and meet the requirements of DND/ CF operations; and
- To develop and implement a human resources framework to ensure sustainability of CF health services.¹¹⁹

Although not articulated in such a manner, it can be argued, based on the nature of these objectives that Rx2000 represents the foundation to instituting a new organizational design

¹¹⁸ Department of National Defence. Canadian Forces Health Services. *Rx2000 Project Charter* (Ottawa: DND Canada, 2000), 3.

¹¹⁹ *Ibid.*, 4-5.

which serves to build the “safer health system” referred to in the US Institute of Medicine report. As already covered in the previous chapter, safer systems contribute to error and risk reduction and to patient safety. The Project Charter clearly articulates that Rx2000 is to set the conditions for DND “to provide a health care structure that offers a minimum of stability, that is accredited and that is managed with clearly articulated direction and guidance.”¹²⁰

From the beginning, elements of an integrated risk management approach started taking form. By bringing together all health care resources under one command and administration, and developing an interdisciplinary approach to Rx2000 and health care delivery, the potential for corporate risk visibility and management increased exponentially. Initiatives related to improving health care delivery and continuity of care such as the Primary Care Renewal Initiative (PCRI), Case Management, and Mental Health, permitted developing processes that are patient-centered and would streamline the administration surrounding the care. The Force Health Protection initiative developed or enhanced measures to “ensure that troops are given the knowledge necessary to attain a high state of health and fitness and that they are protected against occupational and workplace health hazards.”¹²¹ Human resources being a health care system’s most valuable assets, Rx2000 also served to strengthen the organizations capacity to recruit and retain personnel, develop health care management leadership, provide civilian-recognized qualifications and training to its unlicensed care providers, redesign the career progression of its military medical occupations, and institute a capability for civil-military cooperation. While these initiatives served to rebuild a safe and reliable system from the grass roots up, the accountability framework, the last Rx2000 stream to be discussed, brought all these

¹²⁰ Department of National Defence. *Rx2000 Project Charter...*, 2.

¹²¹ *Ibid.*, 18.

elements together. It provided the architecture for sound responsibility and accountability within the military health care system.

The Accountability Framework, although not defined with this purpose in mind, consists of critical components to achieving integrated management of risks. Most of these have already been implemented. First, the challenges with the command and control within the organization were addressed. The concept of centralized control and decentralized application with dedicated and trained health care managers at all management levels (rather than dual-hatted clinicians) was the first step towards an integrated capability and organizational competence. The commanders' and managers' responsibilities, accountability and authority to make timely decisions within their area of responsibility were clearly defined. This now provides an appropriate internal hierarchy and capacity to formally manage risks. The vision, mission, values, strategic direction and corporate guidance are now clearly articulated and effectively communicated throughout the organization. This empowers management and health services personnel to recognize internal and external risks as they pertain to strategic direction, their fields of expertise, and areas of responsibility. Accreditation of medical clinics by CCHSA, a powerful risk reduction measure as described in Chapter 3, is well underway, with three CF medical clinics out of a total of 33 receiving accreditation status by the end of 2005.¹²² Finally, the Balanced Score Card is a CF-wide approach for the business planning process and is meant to be a performance measurement tool. Performance measurement related to health care is complex and remains at the in beginning stages within CFHS.

A second order effect of Rx2000 has been a rejuvenation of health services personnel. Despite the change-fatigue, their level of enthusiasm and the manner in which they have taken

¹²² Canadian Council on Health Services Accreditation, *2004 Annual Report: Setting the Standards for Quality Health Care* (Ottawa: CCHSA, 2005), 15, also validated by LCol C. Langlais, Directorate Health Services Delivery Senior Staff Officer (SSO) 2, August 2005.

ownership in redesigning the health services has been extraordinary; a capacity multiplier for the project. Rx2000 has created among its personnel a renewed trust and pride in the CFHS. As a learning organization, the CFHS has placed great emphasis in providing higher education and professional development to its members, integrating them in civilian professional circles and leading Canadian health care institutions such as the Canadian Council of Health Services Executives (CCHSE) and CCHSA.¹²³ This knowledge and experience has built further momentum in identifying health care management best practices and adopting them within the scope of the reform and beyond. The evolving culture includes a mind-set in the CFHS with regards to proactively managing risks, evidenced by the numerous formal risk management processes that have been established since the inception of Rx2000.

CFHS FORMAL RISK MANAGEMENT PROCESSES

Leading the way in terms of developing a Risk Management Plan within CFHS is the Rx2000 Project Management Office (PMO). The Risk Management Plan is integral to the Rx2000 Project Management Plan.¹²⁴ Risk is defined in accordance with the project mandate, as “any future occurrence that can harm an Rx2000 project by causing it to exceed budget, lengthen schedule, reduce services to be provided, or to impact quality of services provided.”¹²⁵ It uses a four-step model: identification of risk; analysis/assessment of the identified risks; treatment of risk (mitigation); and evaluation of risk treatment strategies (based on feedback). The Project risk

¹²³ The Canadian Council of Health Services Executives (CCHSE) was created as an association for health services executives in 1970 to provide professional support and help advance health services management. The Canadian Council of Health Services Executives web site, <http://www.cchse.org/AboutUs.stm>; Internet; accessed 20 April 2006.

¹²⁴ Department of National Defence, *Project 00000297 – Rx2000 : Project Management Plan*. (Ottawa: DND, n.d.).

¹²⁵ *Ibid.*, 43.

profile that was developed is comprehensive and identifies the risks for the project as a whole and for every project initiative, with an assessment of the severity, probability and impact of the risks on the project. The PMO expects risk management to be a continuous process rather than a one-time snapshot. It has established an administrative process for when new risks are identified, through the provision of a Risk Identification and Assessment Form and a Risk Mitigation and Review Form for all project teams.¹²⁶ Overall, the Rx2000 Risk Management Plan provides a useful model for the development of a corporate level risk management framework for CFHS. Noteworthy is that many of the risks that were identified under Rx2000 are also applicable to some of the functional and operational areas of CFHS in steady state, hence may provide a baseline for the development of a CFHS risk profile.

The Primary Care Renewal Initiative (PCRI), one of the Rx2000 initiatives, has also developed guidance for risk management within the document *The Canadian Forces Medical Clinic*.¹²⁷ It situates risk management (RM) activities within the framework of its Performance Measurement and Quality Improvement (QI) programs. Some of the elements of the Treasury Board model are used as this framework. It espouses the philosophy that risk management presents opportunities: “linkages between the QI and RM programs identify opportunities for organizational improvement, improved effectiveness and efficiency and minimizing adverse patient effects.”¹²⁸ PCRI model establishes a QI/RM Coordinator position to facilitate these programs on behalf of the Clinic Manager and his leadership team, and to coordinate all the activities related to the accreditation process. A quality committee structure is made up of

¹²⁶ Department of National Defence. *Project 00000297 – Rx2000...*, A9-1/2 to A10-2/2.

¹²⁷ Department of National Defence, *The Canadian Forces Medical Clinic* (Ottawa: CFHS, 2004). This doctrinal document provides a description of the new CF Medical Clinic Model. It presents the underlying principals of CF in-garrison primary health care and outlines policies and procedures.

¹²⁸ *Ibid.*, D-1-2.

multidisciplinary teams that monitor the quality of services in their services areas, identifying and addressing risks and opportunities for improvements. Noteworthy is the Occurrence Reporting Program. It consists of a process for reporting significant adverse events or deficient safeguards or processes that have the potential to lead to adverse events. A level of risk is assigned to all occurrences based on the severity of outcome. The reporting process leads to informing the CF Health Services Group Headquarters (CF H Svcs Gp HQ) on adverse events through the chain of command. As the PCRI model is rolled out to all the CF Clinics for implementation and their RM processes mature, the CF Medical Clinics and their QI teams will be able to meet CCHSA accreditation standards.

The other critical aspect of meeting the accreditation standards involves demonstrating that the governing body of the health care organization has an integrated risk management process. This is currently not the case for CFHS. The CFHS level of compliance with the CCHSA accreditation standards related to risk management is summarized in Table 4.1. The shortfall has been acknowledged as a deficiency and is a priority action for the Directorate of Health Services Delivery, which is the Management Authority of the medical clinics within the CF H Svcs Gp HQ.¹²⁹ However, the framework to be developed is intended to only include an in-garrison care perspective, which unfortunately represents the undesirable “stovepipe” approach rather than the required integrated method.

¹²⁹ LCol C. Langlais, Directorate of Health Services Delivery / Senior Staff Officer (SSO) Standards, telephone conversation, 29 August 2005.

Table 4.1 – CFHS Compliance with CCHSA Risk Management Standards

CCHSA Risk Management Standards	CFHS Compliance
<i>The organization carries out a process to identify, report, assess, and manage risks. The process includes:</i>	
<ul style="list-style-type: none"> ○ gathering and analyzing information from a variety of sources; 	<p>Certain areas of the organization do this very well. Several committees, partnerships with civilian organizations and participation in national and international conferences permit effective environmental scanning of risks. However, risk and risk management is not well defined, there is no organization-wide IRMF. Hence this activity is performed on an ad hoc and inconsistent manner, causing gaps and interdepartmental inconsistencies in risk management activities. Risks are not consistently aggregated at the corporate level.</p>
<ul style="list-style-type: none"> ○ monitoring the risks that are posed by products purchased from suppliers; 	<p>A number of sound processes are in place for medical, dental and military supplies and equipment.</p>
<ul style="list-style-type: none"> ○ considering ethics, values, and social costs and benefits, and reviewing the risk management practices of partners and other organizations when making decisions about how to manage risk; 	<p>Lack of a CFHS risk management strategy and common framework result in inconsistent approaches.</p>
<ul style="list-style-type: none"> ○ developing strategies for communicating risk management issues to different groups. 	<p>Inconsistent approach to communicating risks. CFHS personnel are unclear WRT the risk management strategy. Certain areas have advanced processes, such as Rx2000. Force Health Protection has excellent processes to communicate health risks to the CF population, however need a RM plan that integrates into a higher strategic framework, as required for most of the other departments.</p>
<i>The governing body and managers actively support the organization's risk management practices by:</i>	
<ul style="list-style-type: none"> ○ allocating resources to risk management practices; 	<p>Formally, performed mainly through Business Planning. No Executive Officer is assigned to lead risk management strategies for the CFHS. Certain areas have a dedicated person for Quality Improvement and Risk Management activities, but does not span across all sectors.</p>
<ul style="list-style-type: none"> ○ making staff, service providers, and volunteers aware of their roles and responsibilities in managing risk; 	<p>Rx2000 has created a risk-smart culture within CFHS, evidenced by the number of risk management measures and enablers established throughout the organization. Without a common and integrated strategy however, expectations WRT RM are not clear at all levels of the organization or performed consistently. No formal risk management training is offered to personnel.</p>
<ul style="list-style-type: none"> ○ encouraging risk management practices that are ongoing, dynamic, and integrated into the operational activities of the organization; 	<p>CFHS is risk-savvy. Consideration of risks is subsumed in the decision-making process in most sectors of activities or forums. Lack of an IRMF results however in a non-standardized and stovepipe approach, preventing corporate cross-boundary risk visibility and management.</p>
<ul style="list-style-type: none"> ○ requiring accurate, comprehensive, and timely information on expected levels of risk and other risk issues to help make decisions. 	<p>Risk tolerance is not well defined or communicated. A comprehensive risk profile was established for Rx2000 in support of the reform, but does not apply to CFHS in steady state.</p>

There are other examples of formal risk management activities within the CFHS. The Operational Planning Group (OPG) held within the Directorate of Health Services Operations

uses a modified Operational Planning Process (OPP), the methodology used to plan military operations.¹³⁰ The assessment and management of risks is normally inherent throughout this process and the operational mission. Unfortunately, there are no supporting policies, procedures, or Record of Discussions (RODs) available to permit an assessment of the degree to which risk is truly and deliberately managed within this process. This Directorate has also imposed an assessment of the risk/impact to HS units for each tasking and deployment nomination. The Business Planning process at unit and corporate level deliberately addresses risk and risk transfer through resource allocation and prioritization. As described in the last chapter, the CFHS falls under the auspices of the Defence Management System (DMS) and all its planning components. This process is considered to be the “building block for risk management” in DND at the strategic level.¹³¹

Other examples of risk management measures or enablers conducted at the corporate level within the CFHS include the following: CF Health Services Group Senior Staff Meeting; the Rx2000 Project Steering Committee; the Surgeon General’s Clinical Council Forum (SGCCF); the Surgeon General's Complaints Management Committee (SGCMC); the Surgeon General's Practice Leaders Forum; the monthly DComd’s teleconferences with HS units, the Pharmacy & Therapeutic Cttee; the Medical Product Evaluation and Review Committee (MPERC); the Dental Materiel Management Committee; medical and dental policies; CF H Svcs Gp Orders; and CFHS leadership conferences.¹³² These enablers provide a corporate capability for risk management by providing visibility on issues that could represent potential risks to patients

¹³⁰ Capt (N) Jung, Student National Security Studies’ Course (NSSC) and former Director of Health Services Operations, conversation, 16 January 2006.

¹³¹ Department of National Defence, *Integrated Strategic Risk Management in Defence...*, 1.

¹³² Department of National Defence, Assistant Deputy Minister (Human Resources- Military), The HR-Mil Group Committee Structure (Ottawa: ADM(HR-Mil), 2004). This reference consists of a MS Excel database which lists all the committees within or involving ADM HR-Mil, including the senior level committees within the CFHS.

and the organization, at the highest level. With the exception of Rx2000, these forums lack direction in regards to a consistent and structured approach to risk management.

The impressive number of formal risk management processes and enablers are indicative of a risk-smart culture and symbolize the readiness and commitment of CFHS personnel in creating a sound risk management environment and a safer health system. The foundation for developing a robust corporate level health care risk management framework is for the most part already in place. The organization is ready to take risk management one-step further, and wrap it all together with an Integrated Risk Management Framework.

IRMF FOR CFHS: A NECESSITY

Each one of the risk management plans and measures that were described in this chapter have strengths and merits, and will probably serve their respective areas well. However robust and effective these are, what remains plainly evident is that not every Directorate or HS unit has a risk management plan in place. The existing plans have not been standardized and are fragmented. They are without a master, a guiding centerpiece. Most measures were initiated on an ad hoc basis without clear or consistent direction from the HS senior leadership. This is not to be unexpected, the organization has been rebuilding itself through Rx2000, redesigning and transforming almost every single aspect of their line of business. CFHS would not have been ready to establish an IRMF until achieving some degree of organizational stability. The comprehensive Rx2000 Risk Management Plan managed the risks for the organization through the reform. Rx2000 is now reaching the end of its term; most of the project initiatives are reaching steady state. The organization is achieving stability whereby most of the new approaches and processes to delivering care and managing the organization have been

implemented and internalized. CFHS is now stable enough to develop and implement its own corporate-level IRMF.

The Risk Management Plan that is to be developed for in-garrison care is a requisite at governance level in order to meet CCHSA standards. Again, this plan will only address a specific service area of CFHS, which is in-garrison care. As it stands, it will be developed in isolation, without HS strategic direction, risk management policy or standardization from a corporate level IRMF. Furthermore, as explained in the previous chapter, a health system is not just about the delivery of care. It also encompasses the entire system design that supports the care, from a corporate level down. Areas such as management of HR issues, training, military operations, health promotion, preventive medicine and occupational health, Rx2000 reform, medical policies, health information systems, comptrollership are all interrelated parts that impact on each other. They affect the quality of care and services provided at the pointy end of care, whether in-garrison or in operations. Hence a risk management plan focusing on in-garrison care cannot hope to achieve the level of oversight required for CFHS to manage the risks for its entire organization, as mandated by Treasury Board.

ISRM in Defence, albeit strong in its strategic guidance for risk management, does not address the health services related to the corporate needs of the CFHS, therefore is inadequate as a formal IRMF for CFHS. Nonetheless, the elements of the DMS presented in the document as the building blocks for risk management within DND should be considered for inclusion in a future CFHS IMRF.

It is assessed that the current formal risk management processes and measures within DND and the CFHS are inadequate for meeting the Treasury Board IRMF requirements or the CCHSA risk management accreditation standards. Strategic direction and a common framework

has to be set from the top, with clear intent, guidance, structure, responsibilities, definitions and policies. The framework must encompass all functional and operational areas. The CFHS requires a fully integrated health care risk management framework to provide corporate level direction on the management of risks in steady state, which must be applied organization-wide.

SUMMARY

The CFHS has a constitutional mandate to autonomously govern and manage the military health system and provide quality medical and dental care to CF members. This mandate, over any other, morally and legally obliges the CFHS to meet Canadian standards and institute a robust corporate level risk management program. None currently exists. That being said, the CFHS is not that far off in terms of its capacity to move forward and take that next step. The programs and processes developed through Rx2000 and its subordinate initiatives to correct an ailing health system represent the foundation for building an IRMF. Rx2000 has also rejuvenated a change-fatigued organization, creating a culture for patient safety and error reduction, becoming a risk-smart culture. The formal risk management plans such as the ones developed for the Rx2000 project and the CF Medical Clinics are evidence of this new culture; however only serve a specific part of the organization. The *IRMF in Defence* addresses risk management in strategic defence planning but not the health care related risk management issues. None of these plans can serve as a substitute for a corporate level IRMF. Their content and methodology, however, should be incorporated into a future CFHS IRMF.

CONCLUSION

Implementing an Integrated Risk Management Framework in the CFHS is not a luxury; it is a necessity. One only has to look towards the risk management trends in industry, government, and the civilian health care sector to understand its significance. Industry started the risk management trend out of necessity, based on the failures of mega-corporations that did not anticipate risks, or did not understand the underlying issues. Harmful outcomes and significant losses are the hard lessons that have moved firms and even governments worldwide towards reconsidering the value of risk management as a good governance and management instrument.

As the field of risk management evolved, it was discovered that the departmental “stovepipe” approach to managing risks fragments issues and diminishes oversight of the risks that could impact across divisional boundaries and affect the organization as a whole. Hence Enterprise Risk Management (ERM) rather than risk management has become the industry standard. It permits strategic risk management encompassing all subordinate elements, which roll back up to the corporate level. ERM also serves to create a culture of risk management throughout the organization, promoting a common understanding of risk and standardizing the approach. It also permits seizing opportunities and being innovative in furthering organizational goals. The critical element to ERM is that the risk culture and the risk management framework be created and initiated from the top, at the corporate level, championed by a senior executive, for implementation enterprise-wide.

Government departments, including DND, must also adopt this management practice. A hierarchy of governmental documents identify Modern Comptrollership as one of the priorities for modern management, and risk management is one of the key pillars. As a result, Treasury

Board has directed that an IRMF be implemented across all government departments, and has provided comprehensive guidelines based on industry's best practices. In response, the military published *Integrated Strategic Risk Management (ISRM) in Defence*, which identifies the Operational Planning Process and the robust Defence Management System as the main building blocks to its ISRM. A baseline study was later conducted by CRS on the implementation of IRM within DND/CF, which indicated underdeveloped integrated risk management processes across most of the organization. It recommended adopting a more systematic and structured framework, with greater direction to subordinate units. The study also identified that areas with potentially high-risk exposure such as health services should further delineate a more thorough Integrated Risk Management approach, which implies that the CFHS should fulfil this requirement. Further to this recommendation, this paper argues that CFHS should consider risk management as an additional step towards "professionalization" of the organization and an enhancement to the Command and Control process. It should start with the Commander imparting his or her higher intent with regards to risk management.

Besides the DND requirement, CFHS has a *constitutional* and moral obligation to keep up with the standards and trends being set in health care within Canada. With industry leading the way in ERM, health care organizations are benchmarking industry practices to develop their own integrated approach to risk management. The groundbreaking US Institute of Medicine report on medical errors in health care served as a thrust for greater risk management in health care governance. It brought to light that medical errors, considered one of health care's greatest risks, are mostly related to complex interactions between system designs and work environments rather than individuals' mistakes. Hence there must be greater effort placed on designing fail-safe systems to improve quality of care and patient safety, and achieve overall safer health

systems. This explicitly involves embedding risk management activities in health care operations and corporate and strategic planning.

The Rx2000 Canadian Forces Health Services Reform represents the foundation to building a safer health system for CF members. The health services accreditation process represents one of the Rx2000 initiatives, and is a key patient safety and risk reduction measure to which the CFHS has committed itself to participating for all its medical clinics. CFHS will need to demonstrate, based on the CCHSA standards, that risks are effectively managed at every level of the organization through an integrated approach, starting at the governing body and management level. In the absence of an IRMF, CFHS currently does not fully meet this accreditation standard. In addition, Rx2000 has permitted a redesign of almost every aspect of its health care services. Through a multitude of project initiatives, formal risk management processes and enablers have been developed and implemented, and a culture of safety and mind-set for mitigating risks has flourished within the organization. Although risk management remains departmentalized and not all service areas have structured risk management processes, together these measures represent strong pillars upon which to build a CFHS IRMF. That being said, implementing a IRMF represents such a major undertaking, every effort should be made to build on already existing models. An initial assessment reveals that the Treasury Board IRMF represents an appropriate model easily adaptable to health services, based on a health care organization's own risk exposure.

By reviewing industry risk management lessons learned, government modern management reform, Treasury Board and DND direction for IRMF implementation, the moral and legal obligations to ensure patient safety and safer health systems, and accreditation

requirements, this paper clearly demonstrated that the CFHS requires a integrated health care risk framework which extends beyond the purview of the *IRSM in Defence*.

Further to this research, an examination of how the implementation of an IRMF eventually leads to a greater capacity for performance measurement in quality outcomes and patient safety, both in-garrison and on operations would be valuable. Furthermore, the extent to which an IRMF permits better fidelity in comparing health care services in the CF to the civilian sector may represent a powerful accountability tool.

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