

# MANAGING RISK:

## Protecting Your Million-Dollar Practice



BY LINDA HARVEY

### Who doesn't want to have a million-dollar practice?

Is that goal at the top of your list or have you already reached million-dollar status? Regardless of whether you are already there or still working toward that goal, this article teaches you how to leverage risk management and patient safety to help you achieve and/or maintain your million-dollar practice.

Do the details of running a million-dollar practice keep you awake at night as you ponder how you will grow and protect this valuable asset? Perhaps you have missed the obvious answer, i.e. utilizing risk management as a core operational function to tie all the other vital clinical, business, and financial functions of your practice together.

### Traditional view of risk management

In the traditional view of risk management, risks or loss exposures were grouped into four broad categories: property, personnel, liability, and net income. Early risk management strategies employed to protect these loss exposures were insurance driven, focusing upon different types of insurance coverage in an attempt to fully or partially transfer risk. Many dentists still rely heavily on conventional measures to protect assets.

Traditionally, the principles of risk management presented defensive strategies to guard against loss exposures, associating

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claims reduction and dollars saved versus people (patients or staff) and safety. Even though risk management has always encompassed risk reduction strategies, the primary focus was how to avoid being sued.

In fact, none of the risks you face is isolated. A practitioner may never be involved in a lawsuit, but the number of complaints filed with dental boards is on the rise. One complaint filed with the dental board can easily cost as much as \$10,000, which may not be covered by your professional liability policy.

How do you view risk management in your practice? Is it a necessary evil? Something you put into place initially and think about only when you take a required course? Ask yourself, "Is risk management in my practice primarily insurance-based or reactive, or is it built into the infrastructure of the practice?"

### New view of risk management

The new view recognizes the best defense is a good offense. Successful dental offices are strategically and proactively integrating risk management throughout hiring, team building, financial planning, communication, and documentation practices. Risk management begins in the planning stage and should remain integrated into your systems and processes.

As new risks have emerged, conventional approaches to risk management no longer meet all of our needs. Events such as Y2K, 9/11, the Health Insurance Portability and Accountability Act

(HIPAA), and other new regulations along with research and technology-based changes have

created the need to reassess and redefine risk. These changes paved the way for Enterprise Risk Management (ERM), a progressive approach to risk management that incorporates traditional loss exposures, yet is significantly more comprehensive. ERM categorizes risks into six areas known as risk domains:

**OPERATIONAL:** Risks resulting from your core business practices including clinical risk. This category includes all critical operational aspects of your practice, such as patient records, coding and billing practices, and office policies and procedures.

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**FINANCIAL:** Risks associated with the ability of your practice to make money and remain fiscally sound. *What do your monthly, quarterly, and yearly financial reports tell you? Have you identified any trends regarding overhead, billing, or collections that need attention?*

**HUMAN CAPITAL:** Risks related to your staff, encompassing recruitment, training, and maintenance of these individuals. *With an ever-changing workforce, employee-related risks continue to grow. Consider possible employee-related risks ranging from property or identity theft to embezzlement or employment-related lawsuits within your practice.*

**STRATEGIC:** Risks associated with external events and trends that can impact the growth and value of your practice. *Does what is happening on Wall Street affect your practice? How? What about trends in your local dental community?*

**LEGAL & REGULATORY:** Risks associated with state and federal rules, regulations, and statutes affecting dentistry. *If an auditor, state regulator, or federal agent appeared at your doorstep, is your documentation up-to-date? How will you prove you are in compliance?*

**TECHNOLOGY:** Risks resulting from rapidly evolving technologies and equipment, electronic records, biomedical products, computers, or teledentistry. *Is newer always better? Consider the impact a new piece of equipment or software will have on your practice (beyond the bottom line). Poorly maintained and operated equipment can provide a costly lesson. In the case of electronic equipment and devices, security measures must be addressed.<sup>1</sup>*

Risks, however, don't necessarily exist in isolation from one another; the domains of ERM are flexible, so any given risk may exist in one or more domain. As you identify, evaluate, and select new products and equipment for your practice, you must continually identify, evaluate, and protect your practice from risk.

## Key trends that are driving change

Two key trends are driving the changes we have witnessed in risk management.

The first is the patient safety movement, based on the documented medical errors crisis in our healthcare system. According to a national poll conducted by the National Patient Safety Foundation in 1997, 42 percent of the respondents believed they had been affected by a medical mistake either personally or through the experience of a relative or friend. This trend indicates the systems and processes we have had in place for both risk management and patient safety have not met the needs of patients or practitioners. (Accidents, errors, and injuries are less frequent and severe in dentistry than with our medical counterparts. Still, patient safety is equally important in dentistry.)

All healthcare practitioners, including dental professionals, are encouraged to evaluate patient safety throughout the practice beginning with the culture of the practice. The culture of a practice (beliefs and norms of behavior) ultimately drives risk management and patient safety endeavors. Is developing a culture of safety a priority?

A second key trend is an increased emphasis on communication dynamics and recordkeeping. All practitioners keep records, whether in written or electronic format, but the quality of the records varies widely. It is possible to write volumes of notes that may be lacking in quality, and thus what is written could be legally unacceptable.

In the past we may have asked where is the documentation, is the informed consent signed, and are charts written up? Now, we must look beyond the fact of actually having documentation to the quality of the documentation and the quality of the communication behind the documentation.

*To be continued next month ...* 



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<sup>1</sup> Ching, W.R.H. 2004. Enterprise Risk Management: Laying a broader framework for health care risk management. In R. Carroll, (Ed) *Risk Management Handbook for Health Care Organizations*, 4th Ed. (pgs. 3-14). San Francisco, California Jossey Bass.

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