



Risk Management

THE ASK:

Risk management informs and drives organisational strategy and performance and is an enabler to organisations achieving their strategic objectives. It is useful to consider risk as 'the effect of uncertainty on objectives'. If an organisation can proactively manage its risk profile, risk may, in fact, represent an opportunity (or upside) for the organisation.

Covered in this Topic Guide

- Strategic risks and keeping a future focus
- Developing a risk management framework and data driven approach to risk
- Managing risks to consumers

Where are we now?



...the issue around risk and risk management is a real red herring for the aged care sector. Quite a bit of fear in translating risk management re: finance and taking that to risk tolerance... to the way that care is delivered..., [It] is a difficult jump for carers to make.

GOVERNING BODY MEMBER

Key concepts

The following high-level definitions are provided to assist in interpreting some of the key concepts discussed in this Topic Guide.

- **Risk** is the chance of something happening that will have an impact on objectives. It is expressed in terms of the consequence of an event and the associated likelihood of occurrence.
- **Control** is the process in place to mitigate or eliminate a risk or its associated impact.
- **Risk governance** refers to the processes, mechanisms, conventions and organisational structures by which authority is exercised and how decisions are made about risk.
- **Risk appetite** is the amount of risk, at a broad level, that a provider is willing to accept in pursuit of its strategic objectives.
- **Risk culture** describes the views and beliefs commonly held by governing body members and staff across an organisation, which then inform their risk management practices.
- **Dignity of risk** refers to the right of all consumers to be involved in decisions about their care and to take their own reasonable risks.

Risk management in aged care

Providers have specific responsibilities relating to risk management under a range of laws and regulations, particularly relating to clinical risk. These include, but are not limited to:

- Standard 1 Consumer dignity and choice (requirement 3(d))
- Standard 3 Personal care and clinical care (requirements 3(b) and 3(g))
- Standard 8 Organisational governance (requirements 3(d) and 3(e))
- Aged Care Act 1997 (Cth) (sections 54-1, 54-2, 63-1).

Governing bodies must ensure policies are developed and clear parameters and expected behaviours for managing risks, both clinical and non-clinical, are established.

Story from the sector



Ensuring that the governing body is just as focused on risks relating to clinical practices and quality consumer care

KEY TAKEAWAYS

- The governing body needs to embed a consumer-centric approach to risk management, including when setting risk appetite, and maintain a strategic view.
- The governing body should have comfort that both clinical and non-clinical risks are being managed appropriately.

The Acme Community Services governing body tends to focus more strongly on financial and legal risks without consideration of the equivalent impact on quality consumer care (including considering and setting risk appetite in relation to clinical practices).

One of Acme's residential care managers, Louise, is terrified of any residents having a nasty fall while she is on duty. Louise has instructed staff not to assist any residents in walking around the facility unless Louise is present. Residents and staff are both complaining about the negative impact this policy has had on their home and work environment and are blaming the governing body for allowing this policy to be implemented.

At its next meeting, it is noted that the governing body:

- has failed to consider strategic risks beyond the falls risk (including the need to support dignity of risk) in setting the risk appetite and endorsing the policy.
- receives no data analysis to illustrate the impact of financial and legal decisions on clinical and quality consumer care outcomes.

Tips for effective risk management

Older Australians at the Centre

- Elevate the voice of the consumer to ensure their rights and preferences, dignity and independence are balanced.
- Take an active interest in systems and processes that manage risks to the health, safety and wellbeing of consumers.

Obligations and Accountabilities

- Make sure all members of the governing body understand the key strategic risks and their oversight role.
- Identify and address risks in a timeframe that matches the level of risk and its effect on the consumer.

Obligations and Accountabilities

- Stay up to date with changes to the internal and external risk environment.
- Capture and analyse data where possible to enable deeper insight.

Obligations and Accountabilities

- Don't be afraid of all risks or try to eliminate risks in all areas. Set the risk appetite at a level that ensures a proportionate response is taken.
- When incidents occur, endeavour to understand what has happened, identify and implement near learnings, and prepare a report to maintain accountability.

Reflecting on your practice



Think...

Below are the top things you need to be **thinking** about:

- Are risks related back to the core goal of delivering safe, high quality care?
- Is there integration of risk with strategic direction and planning, and are consumers engaged as part of this process?
- How are missed opportunities or realised risk events identified and discussed, including identification of any lessons learned?
- Have we established the right 'tone at the top' to reinforce and promote a risk-aware and positive reporting culture?
- Are risk roles clear, and do we have adequate resources and capability?
- Is there a clear distinction and understanding of clinical, operational, and broader strategic risks and how risk in one area may impact another?



Ask and say...

Below are the top questions you need to be **asking**:

- Do we have the right level of focus on strategic versus operational risks?
- What is our risk appetite across areas relevant to clinical operations?
- What ongoing monitoring and assurance activities do we undertake, and are they focused on key activities or areas of high exposure to risk?
- What early warning systems are in place to alert the governing body and senior management to emerging risks?
- How is risk information used to inform decision making in our organisation?
- How is dignity of risk managed, and are the right policies in place to support consumers to take risks and make informed decisions about their care?
- Are we collectively comfortable with our current appetite for risk to achieve our objectives?



Do...

These are the top **actions and behaviours** of leaders:

- Apply a curious mindset, gently probing to understand underlying attitudes towards risk and focus as much on what is not being said.
- Remain focussed on 'bigger picture' risks, including possible disruptive risks.
- Regularly review the risk register as a governing body and seek assurance over the effectiveness of the mitigations in place level to manage these risks.
- If an Audit and Risk Committee is in place, ensure that it meets and reports to the governing body on a regular basis.
- Articulate a clear and preferred process for bringing risks and issues to the governing body, including processes relating to open disclosure.

Strategic and operational risks

Risks are broadly categorised into strategic and operational risks, depending on the level of impact on the organisation and objectives. This distinction helps to determine responsibilities for managing the risk and the level of appropriate oversight.

Strategic Risk Definition

Material to the who organisation and could impact strategic objectives

Examples:

- Major labour shortages/inability to attract qualified staff
- Significant knowledge gap in current standards and legislative requirements or those on the horizon
- Lack of preparedness to respond to major infectious outbreaks, including ensuring continuity of equipment and personal protective supplies
- Ongoing financial sustainability
- Systemic mismanagement of information and/or breach of consumer privacy.

Operational Risk Definition

Occur at a day-to-day level and could impact operational objectives

Examples

- Poor medical management practices due to lack of staff training
- Injuries to consumers, including falls arising from poor staff practices
- Failure to respond in a timely manner to an acute episode
- Visitor restrictions negatively impacting on the well-being of consumers
- Financial decisions being made outside of the delegated authority
- Consumer file records stored incorrectly

The role of the governing body

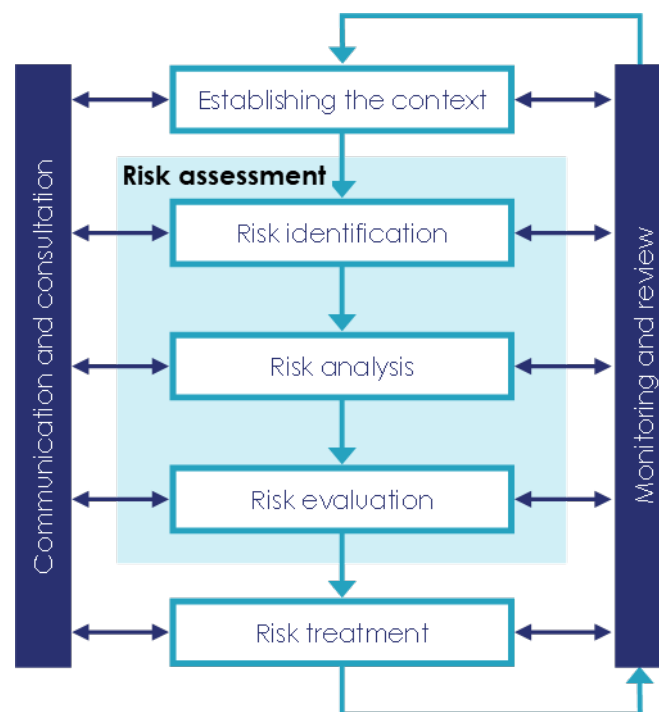
Governing bodies play a key role in the oversight of clinical and non-clinical risk and ensuring adequate risk management processes are in place, such as risk, compliance and assurance programs, and regular reporting. At a minimum, these include the following:

- Approve and regularly review the provider's risk framework (including risk appetite and risk management policy).
- Ensure that a comprehensive risk register of current and emerging strategic and operational risks is maintained and regularly reviewed.
- Establish an audit and risk committee, where appropriate, to monitor the organisation's financial reporting process and risk management framework.
- Ensure assurance programs consider controls relating to quality care, which includes both clinical care and all other risks to a consumer's health and well-being.

- Receive regular updates about key risks and trends (both clinical and non-clinical, from both internal and external sources).
- Adopt early warning indicators (i.e., dashboard reporting) and escalation protocols.

Developing a risk management framework

Governing bodies and executives need to ensure an effective risk management framework is in place, which comprises the policies, processes, systems and tools required to effectively identify and manage risks.



The framework should:

- consider ISO 31000:2018 Risk Management when developed, which outlines the principles for developing and embedding a framework
- integrate with your organisation's purpose and objectives to ensure risks are managed without compromising care
- apply consistently to all risks, including strategic, operational and clinical risks
- define roles and responsibilities and include regular monitoring and reporting for transparency and accountability.

Monitoring and reporting risk

Within aged care, effective risk monitoring involves taking a holistic and data driven approach, looking beyond static risk registers to help identify and understand emerging trends and issues.

Risk reports should integrate information from a wide range of sources to provide a broader and balanced view of the risk environment.

This could include, for example:

- incidents and 'near misses'
- complaints data
- research findings
- aged care sector journals, articles, and literature from reliable sources
- workforce trends
- high-risk audit findings
- financial metrics
- sick leave metrics
- compliance breaches.

Establishing key risk indicators (KRIs) can also be a useful tool to help governing bodies and executives understand when risk exposures may be exceeding the risk appetite and tolerances set by the governing body.

To be effective, KRIs should be quantifiable, i.e. number or percentage, reasonably precise, comparable over time, and meaningful without interpretation. They should also be able to predict future problems that management can pre-emptively act on, and be simple and cost-effective to collect, parse and report.

Managing risks to consumers

Effective risk management in aged care is particularly concerned with improving the quality and safety of services by identifying the circumstances and opportunities that put consumers at risk of harm and then acting to prevent or control those risks.

The Aged Care Quality Standards outline expectations for risk management in aged care (particularly Standard 8. Organisational Governance). They note that effective risk management systems and practices include:

- managing high-impact or high-prevalence risks associated with consumer care
- identifying and responding to abuse and neglect of consumers
- supporting consumers to live the best life they can.

Effective management of clinical risk requires that systems and processes are put in place to identify and prevent harm to consumers. Signs of successful clinical risk management include:

- reviewing performance regarding safety culture and conducting trend analysis
- reporting risks and controls to the governing body regularly
- the governing body regularly receiving reports regarding the provision of safe, quality care for every consumer.

Dignity of risk – respecting consumer rights and independence


Traditionally attitudes towards risk have largely been focused on ‘what could go wrong’ rather than ‘what could go right’. In exercising their right of self-determination and being involved in decisions that impact the quality of their lives, consumers may need to take risks to live their best life - this may be referred to as the ‘upside of risk’. This could be something as small as being able to make a hot drink at any time they wish. Providers must respect these rights and support consumers to make well-informed decisions to improve their quality of life, even if these decisions might increase the risk of harm. This is known as the ‘dignity of risk’, which is grounded in human rights principles, including the freedom to make choices about our lives.

In the delivery of personal or clinical care, governing bodies need to ensure risk is being managed in a way that balances consumer rights and preferences with their safety and the safety of others. This includes managing challenging behaviours in ways that respect the rights of all consumers (including those with a disability or impaired capacity). It also includes supporting consumers in decisions about their care and seeking advocacy services where appropriate to ensure a balance of care and quality of life. Without this balance, the organisation may be exposed to other risks, such as poor consumer experience.

Providers should manage risk and provide care in the least restrictive way and least restrictive service environment while keeping consumers, the workforce, and others safe. The organisation is expected to show how they involve consumers/representatives in understanding the risks and ensure regular review takes place.

High-impact and high-prevalence clinical risks

While providers need to manage all risks related to the clinical care for each consumer, some risks are more common and have a higher impact on the health and well-being of consumers. Preventable harm from these risks continues to happen in aged care, which is summarised below.

| Examples of High-Impact / High Prevalence Clinical Risk Area | |
|---|------------------------------------|
|  | Serious falls |
| | Dehydration and malnutrition |
| | Choking risks |
| | Safe use of medications |
| | Pain management |
| | Oral and dental health |
| | Infection outbreak (e.g. COVID-19) |
| Preventing and managing pressure injuries | |
| Restrictive practices | |
| Managing delirium | |
| Managing sensory loss | |
| Weight loss | |

In order to manage these risks at the operational level, assessments relating to high-impact / high-prevalence clinical risks are undertaken in consultation with the consumer. This ensures that risks are managed in line with the consumer's care and services plan and that the organisation is supporting the consumer to safely maintain their desired level of independence and function.

For example, if there is a risk that a consumer may fall, the care and services plan would include what assessment and assistance the organisation will provide to help the consumer to move about safely. Where a consumer chooses to take risks, the service plan will detail the consumer's informed decision and how staff will monitor the safety of the consumer while respecting their right to take risks.

At the strategic level, the governing body should regularly review aggregated data to ensure high-impact and high-prevalence clinical risks are being managed effectively, noting exposure to these types of risks will vary considerably over time, depending on individual consumers and their unique circumstances.

Educating and supporting the workforce

Providers are expected to educate and support their workforce to minimise risks to consumers, with members of the workforce having the right qualifications, knowledge, and experience to deliver care safely while respecting the rights of consumers to make decisions and take informed risks. Providers need to ensure the workforce is not influenced by their own views, beliefs, and life experiences of what is risky decision making when supporting consumers in making decisions about their care. This could include unconsciously persuading consumers to avoid risks out of fear of the person harming themselves or a social activity they do not agree with.

Providers must ensure the workforce understands their risk management responsibilities and how the work they do connects to the organisation's purpose and objectives. This includes ensuring the workforce has the capability to identify and manage risk, including knowing when and how to escalate risk, and when things go wrong, how to manage and report near misses or incidents. Referral and advice from allied health practitioners and others (even ongoing collaboration) can also be used to develop risk mitigation strategies and reviewed for effectiveness.

Additionally, providers must ensure adequate training, resources and support are available to minimise safety and well-being risks to the workforce (who are critical in the delivery of quality care).

Useful tools

- Tool – [Risk Register](#)
- Tool – [Risk Matrix](#)
- Tool – [Risk Appetite Statement](#)

Useful references and links

[Aged Care Act 1997](#)

[Guidance and Resources for providers to support the Aged Care Quality Standards Aged Care Quality and Safety Commission](#)

[ISO 31000:2018 Risk Management](#)

[Charter of Aged Care Rights](#)

[Quality of Care Principles 2014](#)