Productivity Commission submission 16.09.2010

"Risk Management" is a term used frequently by the Federal Government, particularly in relation to the Aged Care Industry.

*What is a risk management approach?*
The Department of Health and Ageing, and the Aged Care Standards and Accreditation Agency state that they are "taking a risk management approach", and that this is the method they use to determine further contact/support with a service.
Assessment on whether a service requires further support or review appears to be based on their compliance with the Aged Care Act, and within this, compliance with the Residential Aged Care Accreditation Standards, or Quality Reporting Framework for Community Services.

However, we still hear about residential services that are sanctioned, or are found to have significant non-compliance after being found fully 'compliant' several months and years beforehand.

Concerned residents, family and staff are often bewildered by these events, and wonder how things have become so bad, so quickly. The reality is that there would have been signs of system breakdown well before the last complaint or unannounced visit that triggered an escalation in government monitoring. Sustainable systems do not breakdown overnight. The core of the problem is that the building of sustainable systems is not encouraged, because the context of risk for the regulatory bodies is very narrowly focused on the political context, and compliance with a regulatory framework we have all outgrown.

Many state health services now have a risk management framework. Perhaps there needs to be an aged care risk management framework so that Approved Providers can understand the context in which the Department of Health and Ageing operates. However, each provider should develop their own risk framework, as this is something that can't be imposed as it needs to be developed and owned by the organisation. The scale of the framework would depend on each organisation's size and complexity.

*Building sustainable systems*
Building systems takes time, implementing and bedding down systems takes months and sometimes years. There are many things to consider, with a major factor being the education of a workforce that is constantly changing.

However, when a system deficit is identified and the Department of Health and Ageing and/or the Accreditation Agency become involved, the matter becomes urgent, even more so when the media become involved and "risk management" becomes all about eliminating or controlling the risk as soon as possible, (with demonstration via various forms of documentation).

Making the strategies developed by organisations to address deficits sustainable and systemic is often not the priority for the government as regulator, as this takes time, and who has time when the Minister is feeling the pressure from an outraged community, facilitated by a media focused on the negative?

*Risk Context*
Who sets the risk context for an Approved Provider? In theory they should set their own risk context, and consider the issues and key stakeholders in their internal and external environment. Stakeholders will include relevant government agencies and regulatory bodies, but this is only one group to consider. The primary stakeholder for organisations is their residents and clients, but who is the primary stakeholder for the regulatory bodies governing bodies? Is it right to assume that it is also the residents and clients for whom these systems have been designed to protect?

How do we ensure that the residents/clients best interests are being considered as foremost, independently of any political or compliance factors. Being 'complaint' and 'maintaining compliance' does not automatically result in meeting resident/client needs.

A step in the right direction is to reshape the regulatory system so that it considers what is required to make a service successful, with the outcome of meeting and hopefully exceeding resident/client, and staff needs. This issue is discussed later in this paper.

*Managing risks is an uncertain business*
The International Standard on Risk Management, AS/NZS ISO 31000:2009
(Risk management – Principles and guidelines) defines **risk** as …
"… *effect of uncertainty on objectives*" and **risk management** as..
"…*coordinated activities to direct and control an organization with regard to risk*"

We need to understand the risk, including its potential impact and likelihood of occurrence, including who may be impacted, before we make any decision on how to treat it, or indeed if we will treat it.  Not all risks can be controlled to an extent where they have a minimal impact or are eliminated. Indeed there are many variables in play for the type of risks that our industry faces.

This is a difficult reality in risk management for many to face, but at times there is nothing further that can be done with a particular issue, and to spend more time on the issue many mean that other risks are not being managed effectively.

*Training for risk management*
Risk management principles are closely aligned with continuous improvement, but there are differences, and this knowledge cannot be assumed. The Accreditation Agency has conducted "risk management" workshops and risk indicators, but the context for risk is within the residential aged care standards. This is but one aspect of context for an Approved Provider.

*Re-write the accreditation framework to consider risk and system maturity*
There is an opportunity to quantify for organisations where they sit in maturity of their systems, and ultimately provide guidance as to what aspects of their systems need strengthening in order to achieve a higher accreditation rating.

A graduated system would have milestones, with defined outcomes that need to be met to achieve each rating. The ratings may be a 5 point system, with the lowest rating indicating that the service is below compliance standards, and the top rating indicating the service is an industry leader. There is sufficient information and examples gained by the Accreditation Agency over the last 10 years regarding what constitutes below compliance, and leading the industry, to be able to provide detail in such a framework.

*National indicators*
The work regarding developing and implementing a national set of indicators should be progressed for residential and extended to community care. Whether the indicators are called quality or risk indicators is not the point –a good 'quality' indicator, with appropriately set thresholds, can inform a service, and a government agency on how systems are functioning. Indicators are only flags, but indicators generated from service data, and compared like for like can provide a starting point for identifying services at risk, and even what questions to ask during an accreditation audit or support contact visit.

It is important that the indicators of a vulnerable service, as identified by the Accreditation Agency, are also considered when determining the monitoring regime required.

The intention is that there is a matrix developed that considers all information gathered about a service, with the goal of predicting when a service is becoming vulnerable and taking steps to intervene and monitor the improvement actions. If services are identified in a timely fashion, there should be opportunity to work with them to rebuild sustainable systems, rather than react to a crisis.

*Focused unannounced visits*
If there is a system of escalation linked to the monitoring of homes or services, then the actual support contacts should also be tailored to meet the service 'rating'.

It should not be assumed that there is nothing to look for with a service that has no issues identified.

If the accrediting body already has the indicator data for the service, they can focus their visit on testing the data provided via standard auditing practices, with attention on known risk indicators.