

Define, Identify and Manage Risk in Healthcare

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Define “Risk”

“The possibility of something bad or undesirable happening”
(Google AI)

In a medical context, these two components of “risk” form the basis for getting “informed consent” from the patient

In the healthcare space, the possibility of loss or injury from treatment or the absence of treatment is a well understood risk.

Consider the probability or likelihood of the risk occurring

Assess the impact of the risk event, if it occurs

Types of Risk

- Legal Risk
- Operational risk
- Financial risk
- Reputational risk
- **Cultural/Ethical risk**



A Wider Lens – “Enterprise” Risk

- An evolving discipline
- Enterprise risk “is a holistic, organization wide assessment designed to identify, assess and manage potential threats and opportunities...”
- Enterprise risk management is not “department” or “service line” function
- Rather, it emphasizes the inherent and emerging risks associated with operating the business across the enterprise

Organizational Culture

The source of
most risk in
organizations
today

Dominant factor
in organizational
success

“Culture eats
strategy for
lunch”

Organizational Culture Defined

- The observable workplace behaviors that reflect the demonstrated values of the organization's leaders
- Behaviors and actions of leaders are a direct reflection of their underlying values and beliefs
- It's not about what leaders "say." It's about what leaders "DO."
- Leader behavior has a "force multiplier" effect on organizational culture and workforce performance
- The organizational culture will either increase or decrease risk in ALL categories

Positive Versus Negative Culture

- People feel safe, respected, valued, engaged, committed, collaborative, applauded for coming forward with concerns, not unduly punished for mistakes, given credit where credit is due

OR

- People are frightened, belittled, undervalued, demoralized, disengaged, silent, hide mistakes for fear of retribution

**Employees perform according to
organizational culture**

Pillar of Positive Culture: Operational “Rigor”

“The **disciplined**, consistent, and precise execution of business processes. It ensures that day-to-day tasks, standards and goals are met reliably and repeatedly.” (Courtesy of Google AI)



Emphasizes the HOW – not just the WHAT



Doing the RIGHT thing in the RIGHT way!



Getting the “little things” right matters!

A Structure for Operational Rigor: High Reliability Organizations

Preoccupation
with Failure

Reluctance to
Simplify

Sensitivity to
Operations

Commitment
to Resilience

Deference to
Expertise

Pillar of Positive Culture – Psychological Safety

- Psychological Safety – do employees and executives feel not only safe, but valued, for expressing concerns (including about individuals), raising “red flags,” disagreeing with the majority, “stopping the line” or hitting the “pause” button on a project, contract, or other matter
- If not, you’ve lost a key element of “detecting and identifying” risk
- And you’ve increased the probability of all forms of risk occurring

Pillar of Positive Culture : Accountability

Holding leaders accountable (or NOT) when performance and/or behaviors do not align with claimed “organizational values” reverberates around the workforce

Sends a very clear message about what the Board truly values

Board's Affirmative Role in Organizational Culture

Not just “management’s responsibility”

Board’s “duty of care” includes oversight

“Oversight” means monitoring decisions/actions to verify alignment with the organization’s mission, values, strategy, finances and capabilities

Psychological Safety – the Role of the Board

- What do you know about the psychological safety of your organization?
- Ask for:
 - Experience of work survey reports including comments
 - Interim pulse surveys
 - 360 results for leaders
 - Compliance hotline complaints around leader behaviors
 - Leader evaluations
 - Exit interviews of departing employees
 - Site visits

Operational Rigor – the Role of the Board

Prioritize doing “the right thing in the right way”

Insist on root cause analyses and seeing “feedback loop”

What went wrong and WHY

WHO was involved

WHO knew WHAT, WHEN, HOW

Failure of internal controls, policy violations, poor judgment

Insist on seeing remediation plans and follow up reports

“I didn’t know” is not an acceptable answer

Executive Accountability – The Board's Role

- Board has limited interactions with executives
- Impressions are based on limited data set in a controlled environment
- The risk of “close personal relationships” with executives
- Ask to see performance reviews, 360s, EOW, hotline/HR complaint trends
- Ask whether and how executives/employees are held accountable for performance and behavior

Managing Risk

- To manage risk, you need to know about it – likelihood, scope and severity of impact
- Virtually ALL forms of risk can be managed
- Are you getting the right information or a “data dump”?
- What information are you not seeing?
- Be cautious about information coming from a single source
- Keep your eye on external industry developments
- Consider an external review of organizational culture
- Find a proactive legal counsel

History Repeats Itself

Directors should know material events in the organization's history – good and bad

Ask what lessons were learned from past successes and failures

Learning from mistakes and committing to doing things differently is a powerful part of organizational culture

Boards have a role in preserving history and learning from it

New Board member orientation should include historical events

Discussion