

Risk Appetite for NHS Organisations

A matrix to support better risk sensitivity in decision taking

Developed in partnership with the board of Southwark Pathfinder CCG and Southwark BSU – January 2012

Risk levels ▶	0	1	2	3	4	5
Key elements ▼	Avoid Avoidance of risk and uncertainty is a Key Organisational objective	Minimal (ALARP) (as little as reasonably possible) Preference for ultra-safe delivery options that have a low degree of inherent risk and only for limited reward potential	Cautious Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	Open Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM)	Seek Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).	Mature Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust
Financial/VFM	Avoidance of financial loss is a key objective. We are only willing to accept the low cost option as VfM is the primary concern.	Only prepared to accept the possibility of very limited financial loss if essential. VfM is the primary concern.	Prepared to accept possibility of some limited financial loss. VfM still the primary concern but willing to consider other benefits or constraints. Resources generally restricted to existing commitments.	Prepared to invest for return and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on opportunities.	Investing for the best possible return and accept the possibility of financial loss (with controls may in place). Resources allocated without firm guarantee of return – 'investment capital' type approach.	Consistently focussed on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself.
Compliance/regulatory	Play safe, avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge. Similar situations elsewhere have not breached compliances.	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge.	Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup.	Consistently pushing back on regulatory burden. Front foot approach informs better regulation.
Innovation/Quality/Outcomes	Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision taking authority. General avoidance of systems/technology developments.	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations.	Innovation supported, with demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently 'breaking the mould' and challenging current working practices. Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
Reputation	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Senior management distance themselves from chance of exposure to attention.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure. Mitigations in place for any undue interest.	Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest. Prospective management of organisation's reputation.	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing reputation of organisation.	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweighing the risks.
APPETITE	NONE	LOW	MODERATE	HIGH	SIGNIFICANT	

A case study to test risk appetite

Telehealth

The Operating Framework for the NHS in England 2011/12 makes it clear that use of telehealth and telecare to help people stay in their own homes should be incorporated within plans for 2012/13. Telehealth is being used by GPs and NHS Trusts alike as a patient-focussed means of supporting patients living with a long-term condition maintain their health and well-being. The Whole System Demonstrator (WSD) programme launched by the DH in May 2008 has just reported. It is the largest randomised control trial of telehealth and telecare in the world, involving 6191 patients and 238 GP practices across three sites. Three thousand and thirty people with one of three conditions (diabetes, heart failure and COPD) were included in the telehealth trial.

Early headline findings

The early indications show that if used correctly telehealth can deliver a 15% reduction in A&E visits, a 20% reduction in emergency admissions, a 14% reduction in elective admissions, a 14% reduction in bed days and an 8% reduction in tariff costs. More strikingly they also demonstrate a 45% reduction in mortality rates.

We need to assess our risk appetite for a local programme of telehealth and have three options

The enclosed risk appetite matrix sets out levels of risk appetite for Money, Quality/Outcomes, regularity and reputation. There is no new money for this programme so investment will increase our need to find economies elsewhere

What is our risk appetite for investment? Which of the three options will we choose? What controls and assurance will we need to give us confidence that our risk tolerance will not be exceeded?

1. A strategic approach

A major investment to ensure implementation of comprehensive new care pathways for COPD, heart failure and diabetes. The CCG and local NHS Trust will redesign the care pathways and within two years be maintaining 1,500+ patients with telehealth support. The project will commence in April 2012 with the recruitment of community nurses working alongside the hospital consultants and GPs to identify patients. The new telehealth-supported care pathways will provide enhanced support to patients, reduce follow-ups and emergency admissions and improve mortality. Funding will require economies elsewhere but significant longer-term savings are predicted.

2. A substantial investment

The CCG will provide support to the local Trust in implementing a new heart failure pathway and deployment of telehealth to around 1,000 patients over three years. The aim is to reduce outpatient follow-ups in the acute setting, emergency admissions and where appropriate, facilitate early discharge. Funding is significant but is managed as a risk share between the CCG and the Acute provider working on demand management together.

3. A modest approach

Provide community nursing support through a modest sector investment to save budget to H Group Practice to support 100 patients with COPD, heart failure and diabetes. We will audit the impact of deployment at practice level and share with other practices across the CCG area.