



RETURN ON INVESTMENT (ROI): DOCUMENTING AND SUPPORTING THE VALUE-ADD FOR A COMPLIANCE PROGRAM



OBJECTIVES

- EXPLORE METHODS AND TOOLS TO DOCUMENT THE VALUE- ADDED FOR A COMPLIANCE PROGRAM.
- APPLY PROVEN ROI METHODS FROM INDUSTRY TO VARIOUS COMPLIANCE PLATFORMS.
- DEVELOP A ROI PROGRAM FOR YOUR ENVIRONMENT.



SPECIFIC TOPICS FOR TODAY

- EXPLORE VARIOUS APPROACHES TO “RETURN ON INVESTMENT” (ROI) FOR COMPLIANCE PROGRAMS
- HIGHLIGHT & DISCUSS CHALLENGES FOR DEFINING ROI FOR COMPLIANCE PROGRAMS – DETAILING AND EXPLAINING POSSIBLE OPTIONS AND ALTERNATIVES.
- DISCUSS INDICATORS FOR ROI ON COMPLIANCE PROGRAMS THAT COULD DOCUMENT EFFECTIVENESS OF COMPLIANCE PROGRAMS



FORMAT FOR TODAY’S WORKSHOP

- OVERVIEW
- GROUP EXERCISE: DEFINING ROI MEASURES
- REPORT OUT FROM GROUP EXERCISE – NETWORKING/BRAINSTORMING
- BREAK (APPROXIMATELY 1.15 HRS AFTER START)
- DEVELOPMENT OF ROI TEMPLATE AND TOOL TO ADAPT TO YOUR ENVIRONMENT
- FINAL QUESTIONS/COMMENTS AND SUMMARY

CLIMATE AND PRESSURES FOR COMPLIANCE PROGRAMS

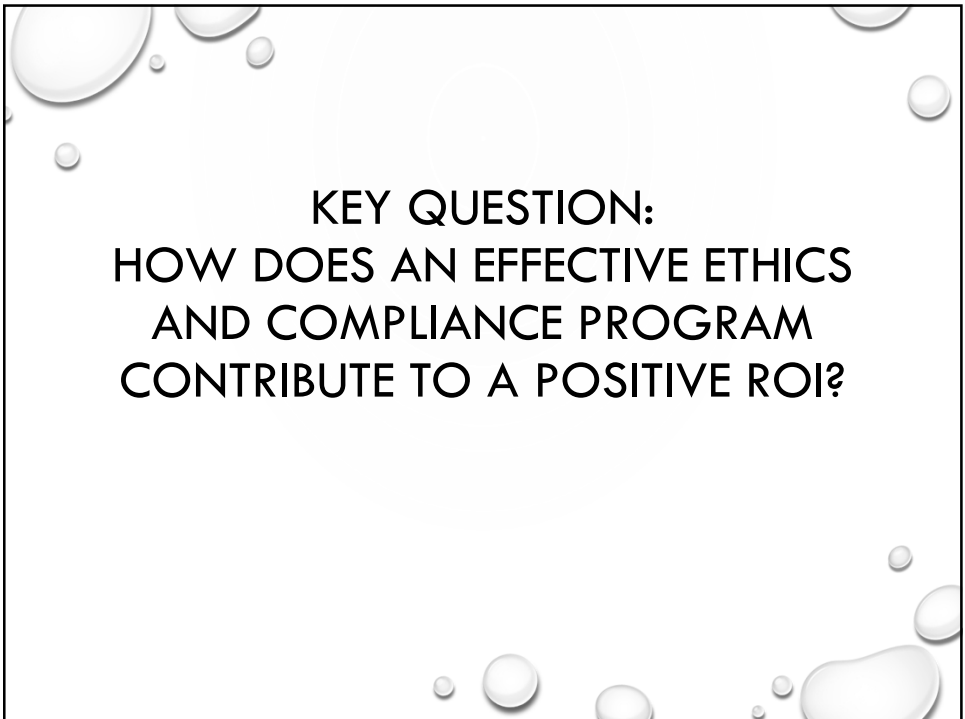
- INCREASED REGULATORY CLIMATE
- PRESSURED BY QUALITY AND EXCELLENCE INITIATIVES ACROSS INDUSTRIES.
- EXPECTED TO BRING EARLY RESOLUTION TO REGULATORY PROBLEMS
- REQUIRED TO DETECT EARLY AND MITIGATE RISKS
- CHALLENGED TO IMPACT THE “BOTTOM LINE” IN A POSITIVE DIRECTION
- RESOURCE AVAILABILITY AT A PREMIUM IN SOME ENVIRONMENTS

COMPANIES ASKING THE QUESTION: WHAT IS THE ROI FOR A COMPLIANCE PROGRAM??

- REGULATORS REQUIRING EFFECTIVE COMPLIANCE PROGRAMS.
- EXECUTIVES ASK—
 - WHAT ABOUT BOTTOM-LINE EFFECTS?
 - WHAT IS THE COST OF NON COMPLIANCE?
 - DO WE NEED A COMPLIANCE PROGRAM WHEN WE HAVEN'T HAD "ANY" PROBLEMS?

CONSIDERATIONS:

- SOME ORGANIZATIONS NOT UNDERSTANDING THE IMPORTANCE OF A COMPLIANCE FUNCTION AND CONSOLIDATING INTO EXISTING LONG TERM FUNCTIONS SUCH AS LEGAL OR INTERNAL AUDIT—ASKING QUESTIONS SUCH AS: DO WE NEED BOTH FUNCTIONS?
- CULTURAL CONSIDERATIONS WITHIN THE ORGANIZATION



KEY QUESTION:
HOW DOES AN EFFECTIVE ETHICS
AND COMPLIANCE PROGRAM
CONTRIBUTE TO A POSITIVE ROI?



- ROI DEFINITION FOR COMPLIANCE...

TABLE EXERCISE--WHAT ARE THE KEY
INDICATORS FOR ROI AND ADDING
VALUE?

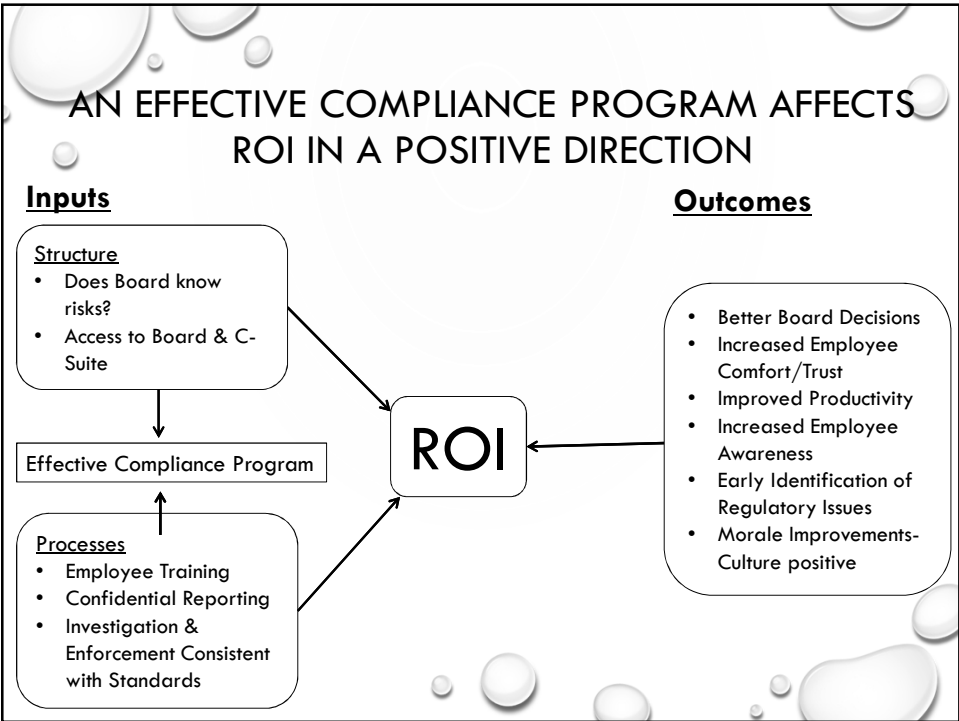
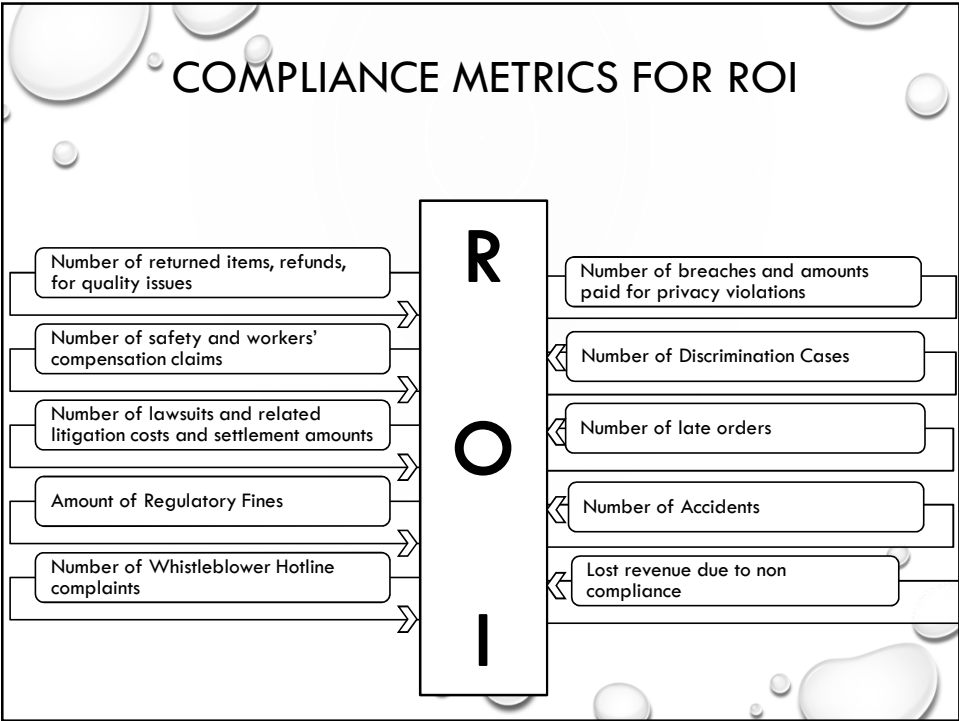
TRADITIONAL ROI APPROACHES CAN WORK

DOCUMENT THE:

- LOSS OF REVENUE
- COST OF FINES
- COST OF MITIGATION AFTER AN AUDIT, FINE, OR PENALTY
- SAVINGS RESULTING FROM A NEW COMPLIANCE INITIATIVE
- REVENUE CREATED FROM IMPLEMENTATION OF A NEW INITIATIVE OR PROGRAM

“STICK” APPROACH DOESN'T ALWAYS WORK

- COMPANY HAS NOT RECEIVED ANY FINES
- “BUSINESS AS USUAL” WORKS GENERALLY
- “GOOD” BUSINESS PRACTICES
- “IT WON’T HAPPEN TO US—WE’LL TAKE THE RISK”
- “SEE NO EVIL, HEAR NO EVIL, SPEAK NO EVIL”
- COST OF COMPLIANCE IS GREATER THAN COST OF NON COMPLIANCE, IE: BUSINESS PROCESSES, FINES, PENALTIES, ETC.



EFFECTIVE COMPLIANCE PROGRAMS – PREVENTION OF RISKS – ROI ++

- MAJOR EFFORT OF COMPLIANCE STRUCTURE IS TO PREVENT ISSUES OR IDENTIFY THEM EARLY BEFORE THEY BECOME CATASTROPHIC WHICH CAN RESULT IN LESS FINES, SETTLEMENTS AND/OR REPUTATIONAL LOSS.
- MEASURING SOMETHING THAT “NEVER HAPPENS” (PREVENTION) IS A CHALLENGE
- COMPLIANCE ROI IS MORE ABOUT “STAYING AHEAD OF THE CURVE”
- VERY LITTLE DATA IS AVAILABLE, IF ANY, ON ROI FOR COMPLIANCE PROGRAMS
 - INDUSTRIES WHERE MORE REGULATIONS, COMPLIANCE PROGRAM ROI IS USUALLY MEASURED BY DECREASED FINES, EARLY DETECTION OF RISKS, SAVINGS
 - INDUSTRIES WHERE COMPLIANCE PROGRAMS ARE MORE VOLUNTARY AND LESS REGULATORY OVERSIGHT, ROI METRICS TEND TO BE “SOFT” AND DIFFICULT TO IDENTIFY

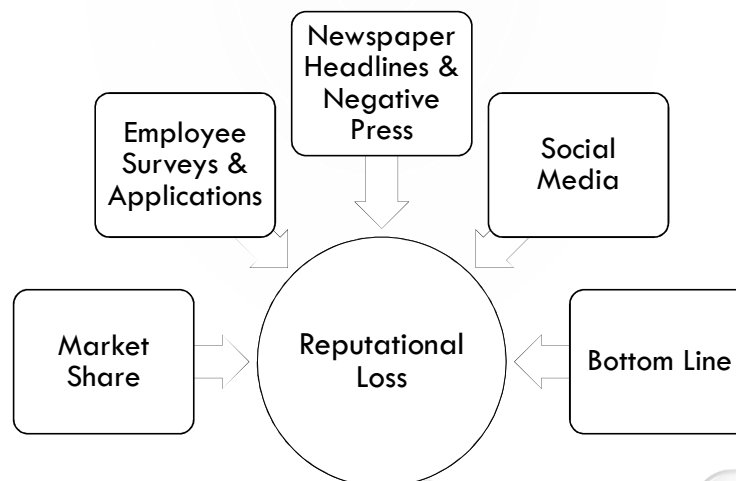
ROI AUDITING & MONITORING: DEFINING COMPLIANCE AS PREVENTION



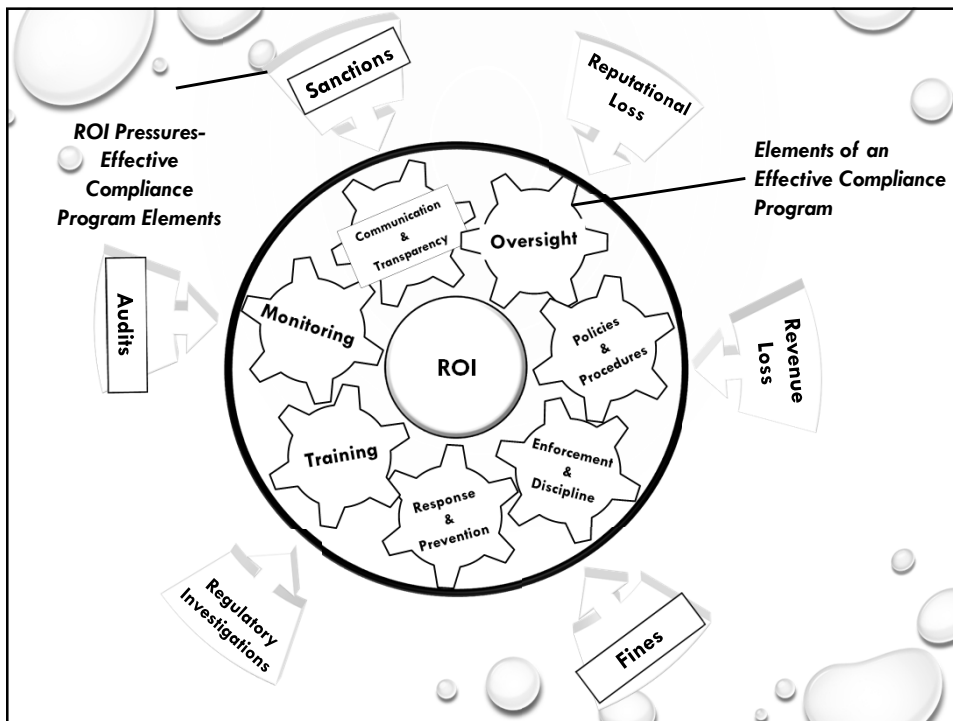
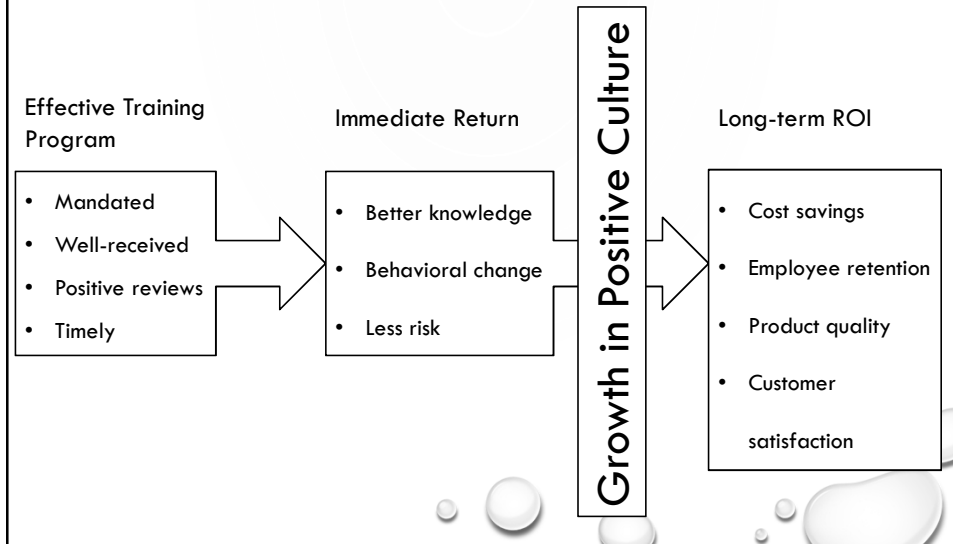
ROI: REPUTATION

- REPUTATION IS KEY TO AN ORGANIZATION'S BOTTOM LINE
 - REPUTATION DRIVES PROFITS AND BUSINESS
 - EFFECTIVE COMPLIANCE PROGRAM SUPPORTS AND ENHANCES REPUTATION--CULTURAL NORMS AND VALUES, SATISFACTION OF CUSTOMERS AND EMPLOYEES
 - COMMONLY A FIRST REQUIREMENT FOR GOVERNMENT FINES/SETTLEMENTS IS TO HAVE A COMPLIANCE PROGRAM WITH EFFECTIVE OVERSIGHT AND COMPLIANCE PROGRAM ELEMENTS EVIDENT

COMPLIANCE METRICS FOR REPUTATIONAL LOSS



COMPLIANCE TRAINING AFFECTS POSITIVE ROI



GROUP WORK

- TWO TABLES EACH HAVE ONE ELEMENT OF A COMPLIANCE PROGRAM AND POTENTIAL MEASURES FOR EFFECTIVENESS. YOUR ASSIGNMENT IS TO:
 - REVIEW THE EFFECTIVENESS MEASURES DEVELOPED FROM DIFFERENT SOURCES
 - USE TOOL TEMPLATE TO DEVELOP ROI METRICS
 - DESIGN TANGIBLE MEASURE FOR THAT OUTCOME

EXAMPLE: OVERSIGHT – EFFECTIVENESS MEASURE IS....WHAT IS THE ROI METRIC THAT WILL BE A TANGIBLE MEASURE FOR THAT OUTCOME?

ROI GOING FORWARD...

Source: FTI Journal

SUMMARY

- ROI REMAINS CRITICAL FOR COMPANIES ACROSS ALL INDUSTRIES
- TRADITIONAL ROI MODELS CAN BE APPLIED TO EFFECTIVE COMPLIANCE PROGRAMS.
- COMPLIANCE IS A "COST OF DOING BUSINESS"; MORE IMPORTANTLY, HOWEVER, A STRONG COMPLIANCE AND ETHICS PROGRAM IS THE "RIGHT THING TO DO".
- MANAGEMENT MUST SEE THAT A COMPLIANCE PROGRAM REMAINS AN INVESTMENT IN THE OVERALL QUALITY AND REPUTATION OF THE COMPANY.
- THE RETURN ON INVESTMENT IS SUSTAINMENT OF A COMPLIANT AND ETHICAL CULTURE WHICH CONTRIBUTES TO MAINTAINING AND IMPROVING THE REPUTATION OF THE COMPANY
- MEASURES OF ROI CAN VARY DEPENDENT ON THE INTERNAL AND EXTERNAL DRIVERS BUT SAMPLE EFFECTIVENESS MEASURES ARE A GOOD PLACE TO START TO DEMONSTRATE ROI OUTCOMES
- YOU HAVE TO START SOMEWHERE FOR YOUR ROI METRICS WHICH RESULT IN A BASELINE TO IMPROVE.
 - ✓ IF YOU NEED TO BUILD THE INFRASTRUCTURE, THEN PROCESS OUTCOMES ARE WHERE YOU WILL START IN ACHIEVEMENT MEASURES TO SUPPORT THE ROI OF A COMPLIANCE PROGRAM.
- TIME WILL LEAD TO OUTCOME MEASURES AND THE EFFORT WILL BE EVIDENCED IN THE ROI FOR THE COMPANY THROUGH "DOING THE RIGHT THING", CULTURAL POSITIVES, REPUTATION SUSTAINED, LESS PAYBACKS TO REGULATORY OVERSIGHT AGENCIES AND POTENTIALLY INCREASED EFFECTIVENESS IN BUSINESS PROCESSES.

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QUESTIONS & CONTACTS