Ten Recommendations for Managing Organizational Integrity Risks

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IBM Center for
The Business of Government

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Foreword

On behalf of the IBM Center for The Business of Government, we are pleased to present *Ten Recommendations for Managing Organizational Integrity Risk* by Anthony D. Molina, Kent State University.

This report continues the IBM Center's long interest in risk management. This report, however, examines an aspect of risk management that is often overlooked: managing "organizational integrity" risks, based on a case study of four major public and private health care organizations. Professor Molina defines organizational integrity as occurring when an organization functions consistently with the purposes and values for which it was created. The report discusses two types of integrity issues an organization must monitor: integrity violations and integrity risks.

Daniel J. Chenok

To understand how organizations today are striving to create ethical organizations, Professor Molina presents case studies of four health care organizations—Cleveland Clinic, Mayo Clinic, Veterans Health Administration (Department of Veterans Affairs), and the Military Health System (Department of Defense—and describes how each is managing organizational integrity risks.. The case studies highlight lessons learned and best practices from each of the organizations examined.

Based on the four case studies, as well as the author's research on the subject, Professor Molina sets forth 10 recommendations on how public managers can better handle organizational risk integrity. A key recommendation involves the need for all organizations to effectively balance their emphasis on rules and sanctions (also known as compliance-based tools) and values-based tools which focus on organizational culture. The recommendations are clearly applicable to government, as well as to organizations in the private and nonprofit sectors.

Nicole Gardner

This report serves as an excellent companion piece to recent IBM Center reports which examined other aspects of risk management that can help government agencies. In his report *Managing Risk, Improving Results: Lessons from Improving Government Management from GAO's High-Risk List,* Donald Kettl examines the types of risk identified by the Government Accountability Office and how agencies can more effectively guard against such risks. In their report *Improving Government Decision Making through Enterprise Risk Management,* Douglas W. Webster and Thomas H. Stanton discuss how agencies can more effectively deploy and use an enterprise risk management approach.

We hope that this new report will assist government leaders in better understanding organizational integrity risks and actions they can take to foster highly ethical organizations.

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Executive Summary

The purpose of this report is to provide public managers with a better understanding of managing organizational integrity risks. Organizational integrity is defined as an organization functioning consistently with the purposes and values for which it was created. There are two types of integrity issues an organization must monitor:

- **Integrity violations** are actions on the part of organizational members that undermine organizational integrity.

- **Integrity risks** consist of conditions and behaviors that increase an organization's vulnerability to integrity violations.

Effectively managing integrity risks involves identifying and mitigating the factors that contribute to them, including:

- The organization's ethical climate

- Perceptions of unfairness in how employees are treated

- Responsibility diffusion

- Role conflicts

- Performance management

An organizational integrity system incorporates the following:

- **Compliance-based tools** focus on control mechanisms that are used to ensure legal compliance through upholding codes of conduct, monitoring employees, reporting procedures, and enacting disciplinary measures.

- **Values-based tools** are directed toward ensuring that the organization's core values are reflected in the day-to-day activities of the organization.

The key to effectively managing and promoting integrity within an organizational culture is to strike the right balance between these two tools.

To illustrate the use of these tools, this report presents case studies that examine the integrity systems at four large healthcare organizations:

- Cleveland Clinic

- Mayo Clinic

- Veterans Health Administration, Department of Veterans Affairs

- Military Health System, Department of Defense

In the cases of Cleveland Clinic and Mayo Clinic, well-integrated systems of compliance and values-based tools are highly successful in creating organizational cultures that promote integrity. As a result, both organizations have a clearly defined sense of purpose around which their resources are marshalled, and core values are effectively integrated into daily routines and practices.

As noted above, effectively managing organizational integrity risks requires using the right combination of compliance-based and values-based tools. Because this combination must be suited to the particular institutional context, there is no "one-sized-fits-all" approach. The following recommendations can help to create an organizational culture that supports integrity:

- **Recommendation One:** Balance emphasis on rules and sanctions (compliance-based tools) with values-based tools.

- **Recommendation Two:** Ensure that all members of the organization understand that they have a responsibility to promote integrity.

- **Recommendation Three:** Implement integrity initiatives in terms of concrete behaviors.

- **Recommendation Four:** Explicitly incorporate values into decision-making processes.

- **Recommendation Five:** Provide ongoing training for integrity-related practices.

- **Recommendation Six:** Ensure alignment of the formal and informal elements of organizational culture.

- **Recommendation Seven:** Facilitate open communication about integrity-related issues and recognize and reward ethical conduct.

- **Recommendation Eight:** Provide a mechanism for members to consult about integrity-related issues.

- **Recommendation Nine:** Conduct systemic integrity risk assessments on an ongoing basis.

- **Recommendation Ten:** Ensure that performance management systems are in alignment with the organization's ethical goals.

An Introduction to Managing Organizational Integrity Risks

The purpose of this report is to provide public managers with a better understanding of organizational integrity risks and illustrate approaches that can be used to effectively manage those risks. Integrity risks are of central concern to managers at all levels of government because a lack of trust in public institutions' integrity erodes their ability to perform effectively. To illustrate how different organizations implement their integrity risk activities, four large healthcare systems are examined:

- Cleveland Clinic

- Mayo Clinic

- Veterans Health Administration, Department of Veterans Affairs

- Military Health System, Department of Defense

Because healthcare systems are highly complex organizations that perform vital public services, the lessons derived are broadly applicable across the spectrum of government agencies. The report concludes with recommendations that managers can implement to mitigate integrity risks in their own organizations.

Integrity Risk Factors

Organizational integrity is defined as an organization functioning in a manner consistent with the purposes and values for which it was created (Six & Huberts, 2008). Integrity violations are actions on the part of an organization's members that undermine its ability to function consistently with these purposes and values. Such violations may include criminal behavior as well as other behaviors that are contrary to an organization's purposes and values. Finally, integrity risks consist of conditions and behaviors that increase an organization's vulnerability to integrity violations.

Effectively managing integrity within an organization involves identifying, monitoring, and, where possible, eliminating its integrity risk factors. A well-established body of research points to a number of risk factors that increase an organization's vulnerability to integrity violations. These risk factors include:

- An organization's ethical climate

- Perceptions of unfairness in how employees are treated

- Responsibility diffusion

- Role conflicts

- Performance management

An organization's ethical climate. The perception among organizational members that unethical conduct is routine and commonplace poses a serious threat to organizational integrity. When people believe that others are engaging in unethical conduct, it can take on a contagious nature which can make them more likely to behave unethically themselves (Ariely, 2013). Among other things, people have a strong need for social acceptance and are therefore likely to go along with group norms (Zimbardo, 2007). Once others believe that "everybody is doing it," unethical behavior may become an informal norm and contribute to an unethical climate. For that reason, tolerating even petty acts of unethical behavior can undermine the ethical climate because it leads to the perception that such behavior is common and acceptable.

Perceptions of unfairness in how employees are treated. The perception of how employees are treated within the organization also has an important effect on employee conduct. Employees who feel like they are treated unfairly are less likely to behave ethically. In fact, research demonstrates that when employees think about their organization's ethical climate, they primarily think about how fairly they themselves are treated (Trevino & Nelson, 2011). If they believe that they are treated unfairly, they will not take seriously any efforts aimed at improving the ethical climate of the organization, nor will they be likely to talk about ethical issues openly with managers. In addition, retaliation against employees who draw attention to integrity violations weakens the ethical climate of an organization.

Responsibility diffusion. In large and complex organizations, it is easy for people to lose a sense of responsibility for their actions and decisions (Zimbardo, 2007). This can happen for a number of reasons, including the fact that responsibilities for carrying out the organization's activities are usually spread out across many different actors. As a result, each person involved may feel that he or she plays only a small and insignificant part in the process—that each is simply a "cog in the machine."

Role conflicts. People's roles can have a powerful effect on their ability to act ethically (Adams & Balfour, 2007). Occupying a formal role can reduce people's sense of personal responsibility for the actions they carry out in the context of that role, potentially prompting them to do something in that context that they would otherwise consider unethical. Additionally, when people occupy two or more incompatible roles, conflicts between the roles may arise. For example, a physician in a healthcare system who also works as a spokesperson for a pharmaceutical company may exaggerate the effectiveness of a drug or treatment.

Performance management. The way performance is managed in the organization can also pose risks to organizational integrity. Unrealistic performance goals—and pressure to achieve those goals at any cost—send a signal that ethical conduct is a low priority in the organization. Additionally, performance bonuses can create perverse incentives to game the system in an effort to reach goals. In effect, performance management systems signal what the organization considers important through what it measures, rewards, and disciplines (Trevino & Nelson, 2011). When there is a strong pressure to meet performance goals without consideration for how those goals are attained, people may do whatever is necessary to meet them.

Case Studies in Managing Organizational Integrity Risks

Cleveland Clinic

Introduction

Considered one of the world's premier healthcare systems, Cleveland Clinic is a not-for-profit organization headquartered in Cleveland, Ohio. It counts over 5 million patient visits per year on its main campus, as well as those at its regional hospitals located in Northeast Ohio, Florida, Nevada, Canada, and Dubai. In addition to providing medical care, Cleveland Clinic also supports research and provides medical training; its total operating budget is approximately $8 billion, and it has 48,000 employees. Founded in 1921 as a multispecialty group practice, it has established a reputation as a leader in medical research and education. Additionally, Cleveland Clinic enjoys a strong reputation for being an organization of integrity. It ranked fourth in a 2010 Harris Interactive poll of the most trusted nonprofit organizations in America, and it has been named by the Ethisphere Institute as one of the world's most ethical companies.

Integrity Risk

Healthcare organizations such as Cleveland Clinic operate under close scrutiny in a highly regulated environment that carries significant penalties for noncompliance. The integrity risks may be divided into several broad areas, including:

- Compliance with regulatory requirements

- Integrity of business practices

- Integrity of the clinical practice and research

Compliance with Regulatory Requirements

Nearly all aspects of a hospital's operations are subject to regulatory requirements of one type or another. This includes areas such as storing and administering controlled drugs, handling radioactive material, using MRI and X-ray machines, disposing of human tissue, and standards of cleanliness. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) includes, among other things, detailed rules to protect the privacy and confidentiality of patient health information. HIPAA violations carry stiff fines, but they also have the effect of undermining patient confidence and damaging an organization's reputation.

Integrity of Business Practices

A particularly high-risk area within the organization is the integrity of its billing processes, i.e., ensuring that the claims it submits for reimbursement are both accurate and appropriate. The practice of "upcoding," for example, is a fraudulent practice in which healthcare providers assign an inaccurate billing code to increase the amount of reimbursement. Similarly, providing unnecessary care or billing for care that was never delivered also represent serious integrity risks.

A number of key policies for ensuring the integrity of business practices concern employee compensation. All of the physicians employed by Cleveland Clinic are paid by salary and not by the number of procedures they perform. Additionally, no bonuses are paid to any member of the organization, including the CEO. Together, these policies reduce the incentives to over-bill third-party payers or to carry out unnecessary procedures. Furthermore, a comprehensive set of conflict of interest policies for physicians and other employees helps to ensure that potential issues are properly addressed. These policies require staff physicians to publicly disclose and update on a regular basis any interests that could pose a conflict.

Integrity of the Clinical Practice and Research
Integrity risk areas related to business practices and regulatory compliance are common to every organization. However, healthcare organizations must also ensure the integrity of clinical practices. Issues such as shared decision making with patients and ethical practices involving end-of-life care can pose particularly challenging risk areas. In addition, many institutions have institutional review boards (IRB), which are committees that are formally designated to approve, monitor, and review biomedical and behavior research involving humans.

Cleveland Clinic receives millions of dollars in grants every year from organizations such as the National Institutes of Health to fund medical research. These grant dollars must be spent in a manner consistent with their intended purpose, and research protocols must comply with federal and institutional guidelines designed to protect human subjects and the integrity of the research process.

Structures for Managing Organizational Integrity Risks
A wide range of checks and balances exist within Cleveland Clinic's integrity system to address its integrity risks:

- **The Office of Corporate Compliance (OCC).** This office is led by the Chief Integrity Officer (CIO). The CIO reports directly to the Board of Governors, which gives the position a considerable degree of independence. This is considered crucial for the success of the system because it allows the CIO to raise compliance-related issues directly to the attention of the CEO and the Board of Governors in a timely manner.

  Communication and education about organizational integrity are major priorities at Cleveland Clinic. The OCC spends a considerable amount of time working with mid-level administrators who interact directly with employees on the front line. The key lesson the office seeks to communicate to employees is that if they are told to do something they suspect may involve an integrity violation, they need to report the situation. To facilitate this, the system includes a toll-free phone number that allows organizational members to report their concerns confidentially. Importantly, organizational members know the structure of Cleveland Clinic's integrity system, which results in information freely flowing to the CIO, who has a strong reputation for acting on the reports.

- **The Corporate Compliance Committee (CCC)**. This committee has responsibility for overseeing the activities of the OCC, as well as the compliance committees that operate separately in each of the institutes and hospitals spread across the Cleveland Clinic system. A key attribute of the CCC is that it is physician led and includes a diverse membership of nurses, doctors, accountants, lawyers, coders, and IT specialists. The composition of the CCC results in the committee having more credibility with organizational members because it is able to understand the issues relevant to members. That makes the committee more likely to get buy-in for the policies and procedures critical to the success of the program.

- **Center for Ethics, Humanities, and Spiritual Care**. In addition to managing integrity risks associated with regulatory requirements and business practices as discussed above,

Cleveland Clinic must also ensure the integrity of clinical practices. This is managed through ethics consultation services provided by the Center's healthcare professionals. Patients, as well as family members, may request an ethics consultation by calling the hospital operator or by informing a nurse or other healthcare professional.

- **Ethics Committee.** This committee meets monthly at Cleveland Clinic's main campus and discusses ethics-related issues, policies, and procedures. The Ethics Committee has responsibility for networking with other committees and organizational leaders to enhance the understanding of ethical issues and to promote the ethical care of patients and their families.

Organizational Culture

As discussed earlier, organizational integrity is a condition in which an organization functions in a manner consistent with its purposes and values. Along these lines, it is crucial for an organization to effectively articulate its mission and values for its members to internalize and integrate them into day-to-day work. Cleveland Clinic is particularly effective in this regard, due in large part to its ability to link its conceptualization of integrity with the original vision of its founders. Cleveland Clinic was founded in 1921 by four physicians, three of whom were deeply affected by working in an Army field hospital during WWI. This experience served as the basis for their vision of creating a multidisciplinary group practice in which members share their expertise in providing care, conduct medical research, and pass on their knowledge to the next generation of doctors. Consistent with this legacy, Cleveland Clinic's mission is to "provide better care of the sick, investigation into their problems, and further education of those who serve." Six fundamental values form the basis of its organizational culture:

- Quality

- Innovation

- Teamwork

- Service

- Integrity

- Compassion

By linking its definition of integrity and core organizational values to its historical foundations, Cleveland Clinic is highly successful in creating a culture in which its members share an understanding of what integrity means and have internalized and integrated its values into the day-to-day life of the organization. Moreover, Cleveland Clinic prides itself on being a physician-run organization. This is considered the cornerstone of the organization's culture insofar as providing quality patient care is its first priority. New employees are introduced to the organizational culture through an extended period of orientation that emphasizes its mission and values, including discussion of the original founders and the experience that inspired their vision.

Mayo Clinic

Introduction

Headquartered in Rochester, Minnesota, Mayo Clinic shares many similarities with Cleveland Clinic. As a large nonprofit multispecialty healthcare system, research center, and provider of medical education, it serves 1.3 million patients annually with an operating budget of nearly $9 billion. Its operations employ approximately 60,000 physicians, nurses, researchers, and other staff members throughout the United States. Today, Mayo Clinic is considered one of the top healthcare systems in the world, and it was ranked third most trusted nonprofit in 2010 by a Harris Interactive poll (Cleveland Clinic was ranked fourth).

Structures for Managing Organizational Integrity Risks

The integrity risks that Mayo Clinic faces are essentially the same as Cleveland Clinic's, including those related to the integrity of business practices, compliance with regulatory requirements, and the integrity of clinical practices. To address each of these risks, Mayo Clinic has a comprehensive compliance-based framework that incorporates all seven elements of an effective compliance program. A clear set of standards and procedures are in place. The Chief Compliance Officer (CCO) is responsible for:

- Implementing and monitoring the compliance program

- Due diligence in avoiding delegating authority to inappropriate individuals

- Communicating standards and procedures through ongoing training and other means

- Receiving confidential reports from employees identifying problems and seeking guidance without fear of retaliation

- Enforcing programs equally and consistently throughout the organization

- Managing an ongoing assessment process to identify and manage integrity risks as they emerge

Organizational Culture

In addition to its structures for compliance-based activities, Mayo Clinic uses a broad range of values-based tools to maintain a culture that promotes integrity. It can be argued that the strength of Mayo Clinic's integrity system lies in its organizational culture.

Core values. At the core of this culture is its primary value, first expressed over 100 years ago by Dr. William J. Mayo: "The needs of the patient come first." Mayo Clinic's mission, which is to "inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education, and research," flows naturally from this primary value. Eight additional values give further expression to its patient-centered culture:

- Respect

- Compassion

- Integrity

- Healing

- Teamwork

- Excellence

- Innovation

- Stewardship

Together, these values serve as a powerful guide for how decisions are made in the organization, and they support its definition of integrity. Of particular importance is Mayo Clinic's primary value. As Berry and Seltman (2014) have noted:

> The pervasive force of this core value tends to simplify decision making. When a staff committee or governing board lacks consensus on a tough issue, someone is likely to ask, "What is best for the patient?" That question will usually refocus the discussion and lead to a decision (p. 145).

Recruitment, hiring, and training. Mayo Clinic systematically engages in a wide range of personnel practices that promote integrity by helping to align the values of individual members

with its organizational values. This begins with recruitment and hiring practices that seek to assess the extent to which the values of new and potential members are congruent with those of the organization. Orientation, training, and professional development programs serve to socialize and assimilate newly hired members into the culture. Furthermore, ongoing personnel practices such as patient surveys, advisory committees, employee programs, and 360-degree performance evaluations continuously communicate standards of integrity to members, and numerous awards are presented to recognize and celebrate members who demonstrate commitment to key organizational values such as patient care, teamwork, and excellence. There is also a strong emphasis on Mayo Clinic's heritage, which is included in historical presentations and displays, newsletters, and social events.

The overall goal of efforts such as these is to link values to everyday practices in the workplace. Along these lines, Kim Otte, Mayo Clinic Chief Compliance Officer, has described how the organization's ethical culture helps to support the integrity and compliance program:

> When we do education or formal communications, we try to explicitly link with the Mayo Clinic values first. In privacy education, for example, the testimonial of a colleague or patient about the impact of a breach on her trust was far more motivating than a bullet point list of HIPAA provisions. We have tried in our print communications to expressly call out the value that is relevant, as well as the law and policy (O'Brien, 2013, pp. 18–19).

Mayo Clinic is very successful in maintaining an organizational culture that promotes integrity. Its compliance-based infrastructure incorporates all of the elements necessary to comply with legal requirements, and it even goes beyond those requirements to ensure that a sufficient range of checks and balances exists for each integrity risk. The system owes its success, however, to the strong organizational culture that results from its efforts to ensure that members have internalized and integrated its values into their day-to-day work. In particular, the strong emphasis on putting patient needs first serves as a criterion to guide decisions, and it supports actions throughout the organization that are consistent with how it defines integrity.

Veterans Health Administration, Department of Veterans Affairs

Introduction
Representing one of three administrations that comprise the Department of Veterans Affairs (VA), the Veterans Health Administration (VHA) has over 300,000 employees and a budget of approximately $60 billion. VHA is by far the largest component of VA activities. Through 21 regionally-based Veterans Integrated Service Networks comprised of 150 medical centers and nearly 1,400 community-based outpatient clinics, it provides comprehensive medical care to approximately 9 million veterans annually. VHA is a leader in medical research, as well as the nation's largest provider of physician training through its residency affiliations with medical schools throughout the United States.

Over the past decade, a number of factors have led to a significant rise in demand for VHA health services, including veterans returning from military operations in Iraq and Afghanistan and the aging population of Vietnam-era veterans. Although Congress has more than doubled its annual budget over this period, VHA has struggled to provide timely access to veterans. In response, Congress passed the Veterans Access, Choice, and Accountability Act of 2014. Under the act, veterans may receive healthcare services from non-VHA providers if they cannot be seen within 30 days or if they live more than 40 miles from the nearest VHA facility. These provisions, while affording veterans more choice, also introduce new risks to the system;

unfavorable health outcomes could result from poorly coordinated care between VHA and private providers (GAO, 2015).

The Government Accountability Office has reported that VHA needs to increase the number of independent audits and assessments conducted at the facility level (GAO, 2015). The failure to routinely assess whether or not VHA facilities are properly implementing VA policies and complying with regulatory requirements has resulted in inadequate oversight and accountability. This represents a critical risk area for VHA because such failures in oversight and accountability can result in enormous losses given the billions of dollars in taxpayer money it spends each year in constructing and maintaining its facilities, acquiring equipment and supplies, and contracting for outside services.

Structures for Managing Organizational Integrity Risk

There are several structures within VHA responsible for managing organizational integrity risks:

- **Office of General Counsel.** Under the Ethics in Government Act of 1978, each government agency is required to appoint a Designated Agency Ethics Official (DAEO), who is responsible for overseeing training and compliance with government ethics laws and regulations. This position is situated in the Office of the General Counsel (OGC). VA's Ethics Specialty Team (EST)—comprised of an Assistant General Counsel heading a staff of 14 attorneys and four paralegals—appoints a person to the position. This model is a recent change in how the VA operates its government ethics program. Until recently, the ethics program had a staff comprised of approximately 200 attorneys who performed ethics-related duties on a part-time basis across VA's 23 Offices of Regional Counsel.

  The change to a smaller VA ethics program staff working full-time on ethics-related activities was meant to increase efficiencies and raise the level of expertise available within the department. However, a September 2014 report by the U.S. Office of Government Ethics (OGE) raised concerns about the relatively small number of VA staff members devoted to ethics given the organization's scope and size. As the report explains, "Despite the potential for increased efficiency and control over the ethics program provided by the Ethics Specialty Team model, OGE is concerned that the ratio of 1 ethics official for every 18,674 employees may be too small for VA to have confidence in its ability to ensure that its workforce is capable of consistently complying fully with the complex framework of government ethics rules applicable to federal agencies" (pp. 13–14).

- **National Center for Ethics in Health Care (NCEHC).** Whereas risk areas associated with government ethics in the VHA fall under the purview of the VA DAEO, risk areas associated with clinical and organizational ethics are the responsibility of the VHA's NCEHC, which administers its IntegratedEthics program.

The IntegratedEthics Program

As a comprehensive ethics program, IntegratedEthics targets three levels of ethics quality:

- Ethics consultation targeting day-to-day decisions and actions

- Preventative ethics targeting ethical issues that arise from organizational systems and processes

- Ethical leadership targeting the ethical environment and culture (Fox et al, 2010)

The IntegratedEthics program uses the "CASES" approach (i.e., Clarify, Assemble, Synthesize, Explain, and Support) for responding to ethics consultation requests from within the VHA system. Detailed explanations of the approach are provided through an Ethics Consultation primer, as well as other tools made available through the NCEHC. Whereas ethics consultation

services address ethical issues that come up in the course of day-to-day activities, the preventative ethics component of IntegratedEthics addresses ethics quality gaps at a systems and processes level. Ethics issues differ from ethics cases insofar as "issues" refer to ongoing situations, while "cases" involve events occurring at a particular moment in time. The way an organization's systems and processes are structured can cause ethics issues. As with the ethics consultation component, pocket reference cards, training videos, and other materials are provided by the NCEHC to support implementation of the preventative ethics component at the facility level.

The IntegratedEthics program's ethical leadership component is intended to foster the internalization and integration of these values into VHA's day-to-day work. VHA's mission is to "Honor America's Veterans by providing exceptional health care that improves their health and well-being," and its core values include integrity, commitment, advocacy, respect, and excellence. Along these lines, the IntegratedEthics program calls upon leaders within VHA to observe four "compass points" of ethical leadership:

- Demonstrating that ethics is a priority

- Communicating clear expectations for ethical practices

- Practicing ethical decision making

- Supporting the local ethics program

VHA illustrates the importance of maintaining an organizational culture that supports ethical practices in the day-to-day activities of the workplace. In recent years, gaps have been identified that may pose integrity risks. Secretary Bob McDonald referred to the VA's core ICARE values of integrity, commitment, advocacy, respect, and excellence while reflecting on VHA's work to maintain the public's trust: "On my first day as secretary, I asked all VA employees to join me in reaffirming our commitment to these core values… our values help cultivate a climate where everyone understands what the right thing is—and then does it" (Leal, 2014, p. 6).

Military Health System, Department of Defense (DoD)

Introduction

The Military Health System (MHS) is one of the largest healthcare systems in the United States, with total budget of more than $50 billion per year. It provides combat medical services on the battlefield, as well as traditional healthcare delivery to approximately 9.5 million service members, their families, and other eligible beneficiaries such as retired military service members. Further, it is responsible for providing public health services, delivering medical education, and conducting medical research. In addition to direct care provided through Department of Defense-operated Army, Navy, and Air Force medical facilities, MHS provides health services through TRICARE, its purchased care component that operates through regional contracts with private sector providers.

MHS is similar to VHA with respect to the integrity risks it must manage:
- Maintaining the integrity of business practices

- Complying with regulatory requirements and government ethics rules

- Ensuring that its patients receive safe, quality, and ethical medical care

Structures for Managing Organizational Integrity Risk

With millions of beneficiaries receiving services through purchased care, activities involving the TRICARE program are at high risk for business practice abuse. To help manage these risks, DoD established the Defense Health Agency (DHA) in 2013 to make the system more effective in managing resources across its various components.

Within DHA, the Program Integrity Office carries out anti-fraud and abuse activities by developing policies, providing oversight of purchased care contracts, carrying out investigations, and preparing cases for criminal prosecution. The Program Integrity Office also extensively analyzes claims data in order to identify outliers, and it shares this information with other government agencies and private organizations. These activities result in significant cost avoidance and recoupment for MHS. For example, by using software that screens and audits claims submitted by purchased care providers, the Program Integrity Office was able to identify and deny over $614 million in duplicate claims in calendar year 2014.

While DHA provides a centralized approach to coordinating oversight, other aspects of the MHS integrity system are highly fragmented. This is due to its nature as a composite system consisting of:

- Various agencies from within DoD

- Military units from the Army, Navy, and Air Force medical corps

- Purchased care providers participating in the TRICARE program

For example, the General Counsel for DoD exercises oversight of MHS but also shares this responsibility with the General Counsels for the Departments of the Army, Navy, and Air Force. As a result, MHS's government ethics compliance oversight is highly fragmented and spread out across DoD and the various service branches.

Integrity of Clinical Practices

The fragmented nature of the MHS integrity system also extends to risk areas associated with clinical practices. As with any healthcare organization, MHS must take care to promote ethical decision making in its clinical practices. In addition, MHS faces the challenges of high turnover among its physicians.

Unique ethical conflicts for MHS physicians can result from dual loyalties that arise out of their status as both healthcare professionals and military officers. A report issued by the Defense Health Board (DHB) in 2015 found that although numerous efforts were made across MHS to promote the integrity of clinical practices, there was no formal system-wide infrastructure. To address this gap, DHB recommended further development and expansion of the infrastructure to promote an ethical culture among military healthcare professionals, including:

- A code of ethics

- Education and training

- Ethics consultation services

- A central office dedicated to ethics leadership, policy, and oversight within MHS

Organizational Culture

Given the fragmented nature of its integrity system, it might seem surprising that MHS hasn't experienced more violations. In fact, MHS has been remarkably successful in maintaining an organizational culture that promotes integrity. This success largely can be attributed to the

U.S. military's ability to ensure that its members have internalized its core values, share a sense of purpose, and understand what it means to act with integrity. Moreover, the military places a strong emphasis on developing leadership skills at all levels and ranks. Recruits entering basic training and officer candidate school are socialized into a system that emphasizes the importance of values and instills a sense of duty among its members. Of course, ethical conduct within the military is by no means perfect, and it has experienced its share of scandals and failures in leadership. However, its members' commitment to its mission and the integration of its values into MHS's daily work creates a strong organizational culture that mitigates the risks associated with a highly fragmented integrity system.

Recommendations: Managing Organizational Risk Integrity

It is clear that effectively managing organizational integrity risks involves more than simply putting into place a series of policies and procedures to monitor the behavior of employees and sanction unethical conduct. A systematic approach involves having the right compliance-based and values-based tools in place, but it also involves activities on the part of top- and mid-level managers that encourage a shared sense of purpose and internalizing core organizational values. The following recommendations can help ensure that organizations are managed in a way that is consistent with the purposes and values for which the organization was created.

Recommendation One: Balance emphasis on rules and sanctions (compliance-based tools) with a values-based approach.
As we have seen, compliance-based approaches focus on control mechanisms that are used to ensure compliance through rules, codes of conduct, employee monitoring, reporting procedures, and disciplinary measures. In contrast, values-based approaches seek to ensure that key organizational values are reflected in the organization's day-to-day activities. This is accomplished through cultivating an organizational culture that supports integrity.

A strong organizational culture can mitigate the risks associated with gaps in an organization's integrity system because it helps to ensure that key values permeate the environment and are part of everyday decision making. For example, the Military Health System has fewer integrity violations as a result of its ability to socialize members in a way that fosters a shared sense of purpose and internalizing of core values.

Recommendation Two: Ensure that all members of the organization understand that they have a responsibility to promote integrity.
Effective integrity systems exercise oversight with respect to the program's implementation and effectiveness by monitoring, auditing, and evaluating the program on an ongoing basis. This includes appointing an individual to take primary responsibility for overseeing the program and giving that individual enough independence and authority to respond to issues as they arise. In the case of Cleveland Clinic, this position is filled by a Chief Integrity Officer who reports directly to the board, and a similar model exists at Mayo Clinic.

In the case of government organizations, however, these responsibilities are spread out over numerous internal and external actors. Moreover, large organizations have the effect of diffusing responsibility by making people feel that they are just a small cog in the machine and not ultimately responsible for the distant outcomes of decisions and actions that they make. For that reason, it is crucial to ensure that all members understand that they have a personal obligation to uphold the integrity of the organization. By emphasizing that everyone in the organization shares this responsibility, it increases the likelihood that people will speak up when they have a concern about the ethics of a situation.

Recommendation Three: Implement integrity initiatives in terms of concrete behaviors.
Rather than describing integrity in abstract terms, organizations should be clear about what specific behaviors are expected from employees (Trevino & Nelson, 2011). For example, rather than saying we "expect people to be ethical," it is clearer to say that we "expect people to be honest." It is also important to provide reasons for why this type of behavior is expected. For example, "We expect our employees to be honest so that we can maintain the public's trust."

The ethical leadership component of VHA's IntegratedEthics program advises supervisors to clearly communicate expectations for integrity. This entails recognizing when expectations need to be clarified, being explicit about those expectations, giving concrete examples, explaining the underlying values that are at stake, and anticipating any barriers the employees might encounter in meeting expectations (Fox et al, 2010).

Recommendation Four: Explicitly incorporate values into decision-making processes.
Consider which values are in play by making them a formal part of decision making. This may include putting time on meeting agendas or requiring that values are explicitly considered in the course of making proposals. This also means being careful not to rely exclusively on quantitative data in decision making because that can obscure the importance of underlying values. An excellent example of this in practice is Mayo Clinic's primary value: "The needs of the patient come first." As noted above, this value is used as a way of guiding decision making and achieving consensus on tough issues by refocusing discussions on the central purpose of the organization.

Recommendation Five: Provide ongoing training for integrity-related practices.
A key element of effective integrity management consists of ongoing communication about standards and procedures through an effective training program. When new members join the organization they should be provided with an overview of its standards and procedures, as well its values and culture. Employees, however, are often overwhelmed with information at orientation so training should continue regularly. This can be most effective when executive, mid-level, and frontline managers collaborate in the training because their involvement demonstrates a commitment to integrity-related practices at all levels of the organization. Another useful approach is informal discussions with subordinates to discuss challenges they face.

Training should focus on the types of ethical issues members are likely to face, framing those issues using moral language, and encouraging employees to consider the consequences of their actions. Mayo Clinic's use of patient testimonials to illustrate the impact of a HIPAA violation on their trust is a good example. Further, training should be tailored to the particular audiences. New employees need different training than seasoned employees, and frontline workers need different training than mid-level managers. Most importantly, training should be structured in ways that illustrate the importance of key organizational values, and they should use simple cases drawn from the types of ethical issues the audience is likely to face.

Recommendation Six: Ensure alignment of the formal and informal elements of organizational culture.
An organization's culture has both formal and informal elements. The formal systems that contribute to an organization's ethical culture include the organization's:

- Mission and values

- Procedures for selecting personnel

- Policies

- Orientation and training activities

- Performance management system

- Authority structure

- Processes for making decisions

There are also a number of informal systems at work within organizational cultures, which can either support or undermine the formal systems. Informal systems include:

- Role models or heroes found in the organization

- Norms and rituals of daily behavior

- Myths and stories

- Language used on a day-to-day basis

It is of critical importance that these informal systems align with the formal systems of an organization's ethical culture to promote ethical behavior (Trevino & Nelson, 2011). Cleveland Clinic, for example, highlights the inspirational experience of its founders working together in a WWI Army field hospital as a way of reinforcing the importance of teamwork in its healthcare model.

Recommendation Seven: Facilitate open communication about integrity-related issues and recognize and reward ethical conduct.
Members of an organization must be able to openly communicate about ethics issues. A variety of channels also should be available, and communications should be tailored to particular audiences and policies. The key is to ensure that communication flows from senior leadership to line employees, but also that line employees can effectively communicate with senior leaders. Strictly adhering to communication channels that flow through various levels of middle management has the effect of distorting or obstructing communication. Additionally, there should be a variety of channels available for communication to flow to and from stakeholders in the external environment. Organizations should communicate integrity standards to people outside the organization and provide opportunities for them to report any concerns.

While it may be impractical to provide rewards for ethical behavior in the short term, it should be clear to members of the organization that ethical behavior is valued and rewarded in the long run. By publicly celebrating ethical conduct, employees are provided clear and vivid examples of the behavior the organization expects. This can take the form of sending recognized employees a note from a senior leader, verbal recognition, or an award at an annual meeting. These rewards are symbolic in nature, but they send a powerful signal to the rest of the organization about what is valued.

Recommendation Eight: Provide a mechanism for members to consult about integrity-related issues.
In addition to having mechanisms for confidentially reporting wrongdoing, organizational members should also have an opportunity to consult with designated individuals when they perceive that they may have encountered an ethical issue. Such mechanisms can foster communication about ethical issues and contribute to a strong ethical climate in which members feel confident that they can draw attention to issues at an early stage.

The ethics consultation component of VHA's IntegratedEthics program provides a model for how this process can be adapted to any type of organizational environment. Simply put, ethics consultation consists of a service provided by an individual, team, or committee to help

organizational members resolve ethical concerns (Fox et al, 2010). The primary goal is to provide a forum that promotes decisions and practices that are consistent with an organization's standards of integrity, fosters a consensus among its members, and provides education to avoid future issues. VHA's program uses the "CASES" approach, which includes the following five steps (adapted from Fox et al, 2010):

- **Clarify** the consultation request by characterizing the type of request, obtaining preliminary information, establishing expectations, and formulating the ethics question.

- **Assemble** the relevant information by considering the types needed, identifying appropriate sources, systematically gathering it, and summarizing the case and ethics question.

- **Synthesize** the information by determining whether a formal meeting is required, engaging in ethical analysis, identifying appropriate decision makers, facilitating moral deliberation, and identifying ethically justifiable options.

- **Explain** the synthesis by communicating to key participants, providing additional resources, and documenting the consultation as appropriate.

- **Support** the consultation process by following up with participants, evaluating the consultation, adjusting the process, and identifying underlying systems issues.

Recommendation Nine: Conduct systemic integrity risk assessments on an ongoing basis.
Integrity risk assessment is a continuous process, so it is crucial to have a formal framework in place that allows the organization to routinely adapt to new and evolving circumstances. This includes regularly distributing, reinforcing, and reviewing policies. As part of this process, mid-level managers and frontline personnel should be surveyed about areas of concern that they believe should be addressed.

The preventative ethics component of VHA's IntegratedEthics provides a model for identifying, prioritizing, and addressing gaps at a systems and processes level. Using what it calls the "ISSUES" approach, the model provides a step-by-step method for improving systems and processes that pose integrity risks (adapted from Fox et al, 2010). The ISSUES approach is as follows:

- **Identify** gaps that pose integrity risk issues, characterize the types of issues involved, and clarify each issue by listing improvement goals.

- **Study** the issues by diagramming the process behind the relevant practices, gathering specific data about best practices, gathering specific data about current practices, and refining the improvement goal to close the gap and mitigate the integrity risk.

- **Select** strategies by identifying the major causes of the gaps, brainstorming about strategies to narrow the gaps, and choosing one or more strategies to try.

- **Undertake** a plan to carry out the strategies, plan how to evaluate them, and execute the plan.

- **Evaluate** and adjust by checking the plan's execution and its results, adjusting as necessary, and evaluating the process.

- **Sustain** and spread the improvement by disseminating the improved process and continuously monitoring the results.

Recommendation Ten: Ensure that performance management systems are in alignment with the ethical goals of the organization.
Be clear that success is not simply about whether or not performance goals are achieved, but also how they are achieved. This can be incorporated into performance reviews by including

competencies related to standards of integrity. Managers' actions that can undermine integrity include failing to link performance incentives to ethical practices, overemphasizing compliance with legal requirements, setting unrealistic expectations, and inappropriately placing blame on individuals for outcomes beyond their control (Fox et al, 2010). All of these actions, for example, were taken by VHA senior leadership in the period that led to the manipulation of veteran waitlist data, and they were a major contributing factor to the poor ethical climate that resulted.

Appendix: Project Methodology

This report examines the integrity systems of four large healthcare organizations as a way of illustrating which practices are most effective in creating organizational cultures that support integrity. In the section that follows, those case studies are presented with particular attention to the integrity risks that the organizations face, the range of policies that are used to address those risks, and how effective the systems are at enhancing integrity.

The four organizations included in this report are Cleveland Clinic, Mayo Clinic, the Veterans Health Administration (VHA), and the Military Health System (MHS). Both Cleveland Clinic and Mayo Clinic are ranked among the most trusted nonprofit organizations in America. This suggests that both systems employ integrity-related practices of interest and applicable to other organizations. VHA is also of interest here in light of several recent ethics scandals that have been widely reported in the media. Coming to an understanding of the circumstances surrounding these incidents can shed light on gaps that exist in VHA's integrity system, the causes of these violations, and lessons that can be learned. Finally, including MHS allows for comparisons to be made with the only other federal healthcare system that operates on a scale and scope similar to VHA. Although MHS shares many of the same characteristics as VHA, it has not experienced integrity violations to the same extent and magnitude. Therefore, understanding what differentiates the integrity systems of the two organizations may be illuminating.

Questions guiding this research focused on identifying the values-based and compliance-based components of the systems, and the extent to which they are effective in enhancing integrity. These questions included:

- What are the integrity risks?

- Do sufficient internal and external checks and balances exist for each risk?

- What gaps exist and how serious are they?

- Does the current system comply with all legal requirements?

- Does the current system go beyond legal requirements?

- How does the organization define integrity?

- Do stakeholders accept the chosen definition?

- What are the relevant organizational values?

- Have members of the organization internalized and integrated these values?

- Is a sufficient range of policies present?

- Are the policies equally applicable to all targeted populations?

- How well are the policies implemented?

- To what degree is the system successful in enhancing integrity?

- Is the system providing value for the money?

- Are the unintended consequences acceptable?

- If the unintended consequences are not acceptable, are they properly mitigated?

- Is attention paid to the system's effectiveness and efficiency?

The data collection methods used a variety of sources including semi-structured interviews with organizational members and other experts, congressional records, media reports, and publicly available organizational documents and records. Qualitative analysis was used to identify core themes and patterns in the data starting with in-case analysis, and then moving to cross-case analysis to identify best practices across organizations.

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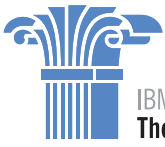*Ten Recommendations for Managing Organizational Integrity Risks* by Anthony D. Molina

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