Executive Summary

Risk management and quality improvement functions, such as peer review, have often operated independently in hospital facilities. Today, with an increased emphasis on quality improvement and provider accountability, the two functions are rallying behind patient safety and finding ways to collaborate more effectively and efficiently in order to ensure the delivery of safe, high-quality patient care.

If not properly managed, peer review can lead to a breakdown in a hospital’s physician performance improvement program and quality management system, thereby jeopardizing patient safety and increasing the hospital’s risk. Unfortunately, many organizations face ongoing challenges to establishing an effective peer review process.

A proactive approach to peer review facilitates the identification and resolution of potential problems at their onset, thereby increasing patient safety and the quality of care. A commitment to continuous improvement, accountability, and transparency promotes a culture that is open and honest about deficiencies. Focusing on the educational aspects of peer review may reduce the perception that it is a punitive process.

Risk Management in Hospitals

In health care, risk management serves to provide a safe and effective environment for patients and medical staff, thereby averting or minimizing losses to the institution. The identification, analysis, treatment, and evaluation of actual or potential hazards are the areas of focus of risk management activities. Practically speaking, risk management refers to the strategies that reduce the possibility of a specific loss.

Most hospitals use the services of a risk manager. Although the role of the risk manager may vary considerably due to diversity in the size and organization of institutions, the primary goal of the risk manager is to minimize harm to patients, liability exposure, and financial loss.

Critical areas of responsibilities include:
- Identifying risk or potential risk;
- Calculating the probability of adverse effects from risk situations;
- Estimating the impact of adverse effects;
- Managing/controlling risk.

How Risk Management & Peer Review Are Related

Hospitals and physicians have become more aware of the risks and potential problems associated with providing health-care services as lawsuits have significantly increased in recent years. Peer review focuses on improving physician performance and the quality of patient care; it reduces hospital risk through performance and quality improvement and the identification of underperformance.
The goals of both risk management and peer review include:

- Minimizing harm to patients;
- Minimizing liability exposure of practitioners;
- Minimizing hospital financial losses.

As risk managers aim to minimize professional liability losses for the hospital, they must be able to recognize events that are likely to result in costly litigation, whether an error is involved or not. Malpractice risk can be difficult to target, since the majority of patients who suffer an injury due to medical negligence do not file malpractice claims. However, in order to improve the quality of care, the underlying causes of an actual or potential medical error must all be identified and eliminated. As a risk management tool, peer review

- Detects and resolves physician performance issues that can lead to loss;
- Prevents medical errors through increased transparency and accountability;
- Reduces negative consequences and costs for both the physician and the hospital;
- Reduces the risk of litigation for the facility and physicians.

If not properly managed, peer review can actually increase a hospital’s risk. Hospitals have been found liable when peer review did not effectively prevent harm, and physicians who are subjected to corrective action resulting from peer review have successfully argued that the peer review process was tainted by bias or incompetence. Despite the significant litigation risk associated with peer review, many states have statutes that impose an obligation on healthcare providers to monitor the quality of services through a mechanism such as peer review. Similarly, hospital accreditation bodies impose the requirement that hospitals engage in regular quality review. Peer review has long been around, but many facilities face ongoing challenges to make the peer review process effective.

**Peer Review Challenges That Increase Risk**

In order to effectively address clinical deficiencies and behavior problems through internal peer review, there must be

- A pool of competent, actual peers with the same specialty credentials;
- Unquestioned integrity and judgement that are free from conflict of interest (COI);
- The willful devotion of considerable time and effort to reviewing, analyzing, and evaluating a colleague’s work and demeanor;
- The willingness to conduct peer review without additional compensation; and
- The maintenance of one’s own active clinical practice while keeping up-to-date on the latest developments in one’s specialty.

Unfortunately, these assumptions are often unrealistic. Physicians sometimes misuse the peer review process for their own political or economic gain; sham peer review of this nature has resulted in litigation and even large awards in some cases. Even when peer review is undertaken for the legitimate purpose of improving the quality of health care, hospitals rarely have access to an adequate pool of physicians who are willing to engage in peer review, and the physicians willing may not have the training or experience to serve as peers in a given case. Hospitals face many obstacles to effective peer review including:

- COI that leads to the reduced visibility of underperforming physicians;
- Bylaws, policies, and procedures regarding peer review can be unclear or are not followed;
- The peer review committee (PRC) is made up of volunteers; infrequent meetings lead to slow follow up and turn over, which, in turn, leads to inconsistency in handling sensitive matters;
- The PRC lacks the same-specialty expertise that is necessary to evaluate performance;
White Paper: Strategic Peer Review for Risk Managers

- Cases with negative outcomes get slowed down or suppressed to avoid conflicts;
- The medical executive committee (MEC) fails to take consistent action on identified performance deficiencies; and
- External peer review is not consistently used to mitigate the above issues, because of the costs involved or the MEC’s aversion to bringing in outside parties.

**Effective Peer Review**

Effective, proactive, and educational peer review uses best practices in risk management to minimize negative events and costs by identifying and dealing with potential exposures early on in the process. The risk management best practices related to peer review include:

- Risk avoidance through prevention;
- Proactive/systematic peer review to measure and monitor performance and identify risk areas;
- The regular assessment of high-risk specialties; and
- The establishment of an external peer review (EPR) program to complement and strengthen internal peer review.

**How Risk Managers Can Influence Effective Peer Review**

Hospitals should realistically assess the efficacy and quality of their internal peer review procedures, keeping in mind the significant litigation risks that are associated with peer review activities. To mitigate these risks, facilities should incorporate external peer review as an integral part of their overall risk management strategies. For risk managers, this means tackling numerous issues related to peer review.

Many hospitals take a reactive approach to peer review, reviewing only cases with negative outcomes and missing opportunities to identify and track inappropriate clinical performance and medical errors in their broader context in order to prevent their future occurrence. As a result, many poor practice patterns are not discovered until a bad outcome occurs, if they are discovered at all. Conducting peer review in an isolated or reactive manner compromises the effectiveness of the program and can create a punitive culture in which there are no opportunities for constructive feedback or performance improvement.

The unwritten rules of the organization often pervade the peer review process, with COI and fear of retaliation leading to the concealment and the lack of reporting of poor performance. In some cases, the MEC does not review all cases and/or protects certain parties. When leadership does not fully support the peer review process and/or views it negatively, the process can become slow, cumbersome, and ineffective. There is hesitation to follow the program except in the most difficult cases.
## Overcoming Barriers to Effective Peer Review

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| > COI leads to suppression of information related to under-performance through the internal peer review process. | > Build a culture of continuous improvement, accountability, and transparency.  
> Establish clear policies and procedures regarding the management of real or apparent COI.  
> Focus on the educational aspects of peer review to reduce the perception that it is a punitive process.  
> Engage the medical staff in creating a shared vision for delivering high-quality care and developing training and skills to support the program. |
| > Sensitive cases and/or known issues not being acted upon in a timely fashion due to COI. | > External peer review facilitates fair, objective, non-punitive, and consistent review, reduces the potential for expensive lawsuits or sanctions, and lessens internal organizational conflict. |
| > Lack of integration of other data into peer review system (for example, medical staff leadership might not have ready access to negative conduct reports and malpractice claims data). | > Undo data silos.  
> Improve data collection systems.  
> All information is needed to determine areas on which to focus activity. |
| > Insufficient resources/budget to meet stated goals. | > Develop budget for ongoing peer review; investing in peer review improves quality of care and can prevent more costly medical errors. |
| > Lack of systems, processes and staff for reporting and medical error follow up.  
> MEC protects a party even though evidence pointing to a fault exists. | > Empower employees to report not only incidents but also near-misses.  
> Implement an anonymous system for reporting errors (for example, Virginia Mason instituted a patient safety alert system, which requires all staff to stop/report activity that may cause harm); the problem is assessed, reported and investigated.  
> Create a culture in which people feel safe to share with colleagues.  
> Hold leadership accountable, ensure that they are abiding by the rules, and identify COI. |

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**MedScore: A Proactive System for Measuring and Monitoring Physician Performance**

MedScore is a systematic external peer review program that provides ongoing evaluations of physicians at a summary level. MedScore helps hospitals

- Evaluate physicians’ performance on an ongoing basis using a simple external peer review workflow solution;  
- Develop a cost-effective alternative to difficult and time-consuming data gathering and analysis;  
- Overcome specialist staffing constraints; and  
- Collect performance data over time; this allows for benchmarking practitioner performance against peers in the same practice, group, or national levels.

MedScore complements existing performance data collection and provides consistent analysis for a valid sampling of practitioners’ work at regularly scheduled intervals.
Conclusions

The ever-increasing focus on patient safety continues to strengthen the integration of risk management and peer review. Risk management aims to reduce the possibility of a specific loss, while peer review strives to improve patient safety and the quality of care by learning from past performance, errors, and near-misses. When used as a risk management tool, an effective peer review program detects, resolves, and even prevents the issues that can lead to loss. Working together, risk managers, performance improvement professionals, and PRCs can minimize harm to patients, the liability exposure of practitioners, and financial losses.

Bibliography
