COSO Issues Guidance for Healthcare Providers

Collaboration with Crowe, CommonSpirit Health
Aims to Strengthen Industry Governance and Internal Control


Healthcare organizations experience issues with system access and integrity, clinical documentation, coding, and billing, all of which may result in potential noncompliance with federal and state regulations – and costly mistakes. The guide introduces healthcare organizations to COSO’s widely used “Internal Control – Integrated Framework,” and provides a roadmap to implementation to help strengthen their overall governance and internal control structures. The Framework is recognized as the leading guidance for designing, implementing, and conducting internal control and assessing its effectiveness.

“Effective internal control is vital to successfully weathering the ever-changing healthcare environment, and it can help mitigate many of the risks associated with the complex pressures healthcare organizations confront today,” said Paul Sobel, COSO Chair. “Formally adopting the Internal Control Framework facilitates an increased understanding of the internal controls in existence and indicates where improvements should be made, resulting in reduced risk for all stakeholders.”

The Internal Control Framework, which can be implemented by organizations of all sizes and types, focuses on five integrated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring activities. It does this in a flexible, reliable, and cost-effective approach.

The implementation guide explores how healthcare organizations can apply the 2013 Framework to conduct the following:

- Evaluate and strengthen their existing internal control structure;
- Implement controls to assist in mitigating significant risks;
- Optimize the effectiveness of their control environments; and
- Improve the efficiency of their governance, compliance, operations, management, and assurance functions.
Focusing on strengthening key controls in an organization’s existing control structure is vital in the rapidly changing healthcare landscape. COSO recommends that every healthcare organization evaluate its risks and key controls to determine potential gaps that may require changes to policies and procedures, governance structure, and management oversight. With the implementation of the Internal Control – Integrated Framework, which was updated in 2013, a healthcare organization with effective controls will be able to:

- Manage the organization’s ability to cope with rapid change;
- Provide a strong foundation to accomplish significant goals and objectives; and
- Improve healthcare delivery.

“COSO provides a framework to build a fundamental foundation of internal control to ensure that organizational risks are monitored and mitigated through sound business decisions,” said Bill Watts, a risk consulting partner with Crowe. “Healthcare organizations must review their environment to confirm proper controls are in place. By doing this, the organizations ensure effective and efficient operations, proper financial reporting, and compliance that support their mission and strategy. COSO provides guidance to streamline this process.”

Sobel added, “Implementing the Internal Control Framework enhances the likelihood of achieving an entity’s objectives and ability to adapt to changes in the business and operating environments. It emphasizes the importance of management judgment in designing, implementing, and conducting internal control, as well as in assessing the effectiveness of a system of internal control.”

**About COSO**

Originally formed in 1985, COSO is a joint initiative dedicated to improving organizational performance and governance through effective internal control, enterprise risk management and fraud deterrence. COSO is jointly sponsored by the American Accounting Association (AAA), the American Institute of CPAs (AICPA), Financial Executives International (FEI), The Institute of Internal Auditors (IIA), and the Institute of Management Accountants (IMA). For more information, visit [www.COSO.org](http://www.COSO.org).

**About Crowe**

Crowe LLP ([www.crowe.com](http://www.crowe.com)) is a public accounting, consulting and technology firm with offices around the world. The firm and its subsidiaries also help clients make smart decisions that lead to lasting value with its tax, advisory, risk and performance services. Crowe is recognized by many organizations as one of the best places to work in the U.S. As an independent member of Crowe Global, one of the largest global accounting networks in the world, Crowe serves clients worldwide. The network consists of more than 200 independent accounting and advisory services firms in more than 130 countries around the world.

**About CommonSpirit Health**

CommonSpirit Health is a nonprofit, Catholic health system dedicated to advancing health for all people. It was created in February 2019 through the alignment of Catholic Health Initiatives and Dignity Health. CommonSpirit Health is committed to creating healthier communities, delivering exceptional patient care, and ensuring every person has access to quality health care. With its national office in Chicago and a team of approximately 150,000 employees and 25,000 physicians and advanced practice clinicians, CommonSpirit Health operates 142 hospitals and more than 700 care sites across 21 states. In FY 2018, Catholic Health Initiatives and Dignity Health had combined revenues of $29.2 billion and provided $4.2 billion in charity care, community benefit, and unreimbursed government programs. Learn more at [commonspirit.org](http://commonspirit.org).

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