

Minnesota Health Insurance Exchange (MNHIX)

Risk Response Plan Guideline



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1. Risk Analysis and Handling

Risk analysis involves developing specific, discrete, and measurable responses to each risk as well as developing a list of prioritized risks. Risk handling is a step within the risk management process that includes both planning (turning risk information into decisions and actions) as well as activities to mitigate or resolve risks.

1.1 Risk Analysis

During risk analysis, appropriate responses are developed to minimize the realization of each risk, and are documented according to certain actions.

- **Group Similar and Related Risks:** Similar risks are grouped together. Redundant risks are rejected by the Project Management Officer. Related risks are combined when it makes sense to work the risks together. Dependant risks are linked, allowing one risk to be related to another risk.
- **Analyze the Risk Using Risk Analysis:** During the analyze step, risks are quantified according to calculations. Risk quantification extends the value of the analyzing, understanding, documenting, and reporting on risks by attempting to assign each risk a numerical scale. Risk is composed of two factors: ***probability of risk occurrence and impact.***

These measures assist in realizing and focusing on the 'true' impact of each risk, and in the prioritization of the risk-reducing activities and responses identified.

1.1.1 Probability

Risk probability is the likelihood that an event will actually occur. Using a numerical value for risk probability is desirable for ranking risks. Risk probability must be greater than zero but less than 100 percent or the risk is a certainty. Impact measures the effect that the risk will have on the Project. The likelihood of risk occurrence can be evaluated qualitatively or quantitatively. This is rated on the following:

Probability	Probability Statement	Score
> 80%	Almost Certain	5
61%-80%	Probable	4
41%-60%	Improbable	3
21%-40%	Unlikely	2
1%-20%	Highly Unlikely	1

1.1.2 Impact

Impact is an estimate of the overall scale of the impact following an occurrence of each risk. This measures the severity of adverse effects, or the magnitude of a loss, if the risk comes to pass. Table below lists the rating for impact.

Rating	Rating Description	Score
Critical	Project will <i>not</i> meet mission or technical success/exit criteria and <i>no</i> alternatives exist.	5
High	Project will <i>not</i> meet mission or technical success/exit criteria and <i>some</i> alternatives exist.	4
Moderate	Project will meet mission or technical success/exit criteria, alternatives exist with <i>medium</i> modification	3

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Rating	Rating Description	Score
Low	Project will meet mission or technical success/exit criteria, alternatives exist with <i>little</i> modification.	2
Very Low	Project will meet mission or technical success/exit criteria, alternatives exist with <i>no</i> modification.	1

1.1.3 Risk Exposure

The Risk Exposure is calculated based on the following: Risk Exposure = Probability * Impact. See the matrix below to determine risk exposure status. The results shown in the risk register will be the exposures score.

Risk Exposure Score					
Probability	Impact/Relative Numeric Scale				
	Critical (5)	High (4)	Moderate (3)	Low (2)	Very Low (1)
81-100% (5)	25	20	15	10	05
61-80% (4)	20	16	12	08	04
41-60% (3)	15	12	09	06	03
21-40% (2)	10	08	06	04	02
1-20% (1)	05	04	03	02	01

1.1.4 Rank Risk

Based on risk qualification, the risk priority is calculated. Those with the highest risk exposure score are addressed first. By ranking the risks, project resources are focused more efficiently and effectively.

Once the risk has been submitted and assigned a Risk Owner, the Risk Owner can go back and change the probability and/or impact as appropriate. As part of the Project Management Officer's weekly review of all risks, risk exposure score values will be evaluated for change and legitimacy as it relates to risk probability and impact.

2. Plan for Risk Responses

Risk response planning takes risk information and turns it into decisions and actions. Response planning involves developing actions to address individual risks, prioritizing risk actions, and creating an integrated risk action plan.

2.1 Develop a Risk Response Plan

This process details the selected approach to risk mitigation/resolution. The Risk Response Plan for each risk that is scored over twenty (20) is documented by the Risk Owner in the Risk Response Plan. When developing a Risk Response Plan, care must be taken to ensure that the mitigation actions do not create secondary risks. Secondary risks must be documented in the Risk Response Plan as well.

Implementing the Risk Response Plan may require generating new and innovative ideas, making creativity key in resolving a risk. There are four innovation styles that assist the Risk Owner with the creative process:

- **Envision** – Focuses on the end result. It provides team with direction, inspiration, and momentum. One can imagine an ideal result and then let the goals guide their vision.

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- **Experimenting** – Uses the trial and error method. It emphasizes fact finding and information gathering, and then testing new combinations of ideas.
- **Exploring** – Provides a team with the potential for dramatic breakthroughs by approaching problems from new angles.
- **Modifying** – A step-by-step process where the Risk Owner and team build on what is true and proved by applying known methods and using experience. It provides a team with stability and incremental improvements.

The Risk Response Plan will be completed by the Risk Owner. The Risk Response Plan includes planned actions to reduce or eliminate the risk. Using the chosen mitigation approach, the Risk Mitigation Plan is completed using the following information:

- **Risk ID** -- The assigned number of the risk
- **Risk (Root Cause)** -- The title of the risk
- **Risk Owner** – The Name of Risk Owner
- **Risk Description (Event)** -- A Brief description of the risk
- **Impact** – A description of the possible impacts to the project if the risk is realized
- **Trigger** – The Events or warnings that identify when a risk is realized and a risk response plan is invoked.
- **Score** – The Exposure or ranking of the risk, from 2 thru 25.
- **Mitigation Strategies**– List of actions that are being taken to avoid or mitigate the risk.
- **Response** – The detailed response being implemented to mitigate or resolve the risk.

2.1.1 Establish Triggers for Early Warning

Early in the project, risk assessments tend to identify risks that are not critical. Even though these risks are not critical at the moment and the time frame is not immediate, these risks are monitored by the Project Management Officer as well as project team should they become critical and reviewed during the weekly Risk Management Meeting.

2.1.2 Mitigate/Resolve Risk

Risk mitigation/resolution is the last step in the risk handling process. Risk mitigation/resolution defines the activities and methods used to reduce risk to an acceptable level.

After the Risk Owner has chosen the risk metrics and the threshold, the Risks Owner and Project Management Officer will obtain control of the risk action plans, facilitate correction for variations from the plans, respond to triggering events, and improve the risk management process.

2.1.3 Respond to Notification of Triggering Event

Triggers are documented by the Risk Owner within the Risk Response Plan fields which identifies when actions should be taken. Triggers should provide a reasonable time for response and should not describe a crisis situation. The Review Cycle determines how often the risk will be reviewed. During this review,

the Risk Owner and Project Management Officer determine whether the trigger or threshold has been met and based on what is documented in the Risk Action Plan and will determine what specific actions should be taken.

2.2 Execute the Risk Action Plan

The Risk Action Plan is followed in order to resolve or minimize the risk. The Risk Response Plan contains specific actions that will reduce uncertainty and increase control.

2.2.1 Report Progress against the Plan

Progress is determined and communicated against the plan. Risk status is reported by the Project Management Officer as part of the weekly Project Status Report to improve communication within the team.

2.2.2 Corrective Action and Deviation from the Plan

Sometimes results against the Risk Response Plan are not satisfactory and another approach must be used. When this occurs, corrective action is taken by revisiting the Risk Response Plan and determining alternative action items, triggers or responses. Risk Response Plans will be monitored according to the weekly review cycle by both the Project Management Officer and the Risk Owners.

2.2.3 Resolve (Retire) Risk

When the Risk Response Plan is being executed, the risk is being actively mitigated. If the risk realization timeframe has passed, and the risk has been completely mitigated, the Risk Owner or Project Management Office may choose to retire the risk and enter a reason for closure.