



It's time to rebuild healthcare governance to meet new challenges

Did you know that governance is one of the least-resourced functions in a health system, despite having ultimate accountability?

Nonprofit health system boards are governing larger and more interconnected systems, but the current governance model does not fit the operating reality of modern systems. We all know how fast the industry is changing, but according to a recent [report](#) by The Governance Institute, governance is not evolving at the same speed and the gap is widening.

Between AI, federal policy shifts, and market, regulatory and operational pressures, decisions have become more complex, slower and less coordinated. Yet expectations are rising from management, regulators, rating agencies and markets, demanding larger and faster decisions, compressing time for board deliberation.

The TGI report offers the following takeaways about this current governance challenge:

A shrinking number of boards now oversee a massive share of hospital capacity.

- In the U.S., about 3,900 nonprofit and public hospitals are governed by 1,500 fiduciary boards with 22,500 board seats, who oversee about \$900 billion in net patient revenue and roughly 80% of all U.S. hospital admissions.
- If a board is weakly designed, with poor decision making, the impacts of these deficiencies are quickly amplified across a wide health system.

Board development is often prioritized at the beginning and then largely abandoned, with only 32% requiring continuing education.

- Most hospitals and health systems conduct formal orientation programs for new board members, but nearly 70% of boards have no continuing education requirement.
- Less than 0.01% of hospital patient revenue is invested in board development.
- The complexity of the healthcare system is reason enough to invest in continuing education.
- Recruitment, orientation, ongoing education and self-assessment are core governance responsibilities and should not be viewed as optional enhancements.

AI is advancing faster than the boards responsible for governing it.

- Boards have AI oversight responsibilities, but AI capabilities are advancing faster than boards can effectively govern them.

Multi-board structures are creating challenges across health systems.

- The growth of mergers and acquisitions has led to more complex parent-subsidary board structures that were not originally designed for this type of governance.
- If the allocation of authority between system and local boards is not formally defined, widely understood or consistently applied, this can result in duplicative agendas, slower escalation of critical issues and growing confusion about where ultimate decision-making authority resides.

When under pressure, boards tend to focus on what is most measurable and easiest to defend: financial performance.

- To effectively make decisions, board must also consider quality, workforce, strategy, risk, digital transformation and mission together with financial performance.

Governance must be deliberately redesigned.

- TGI references a three-level maturity model that defines how governance evolves to match the demand of the system:
 - intentional governance, which focuses on clearly defined roles and authority;
 - integrated governance, which emphasizes cross-domain decision making in a single discussion; and
 - enterprise governance, which ensures authority, decision rights and accountability are coordinated across multiple boards and geographies.

How do we close the gap?

Boards are not underperforming; they are operating within a model that is no longer sufficient to govern the system they oversee. How do we close this gap? It will require investment in board education and sustained redesign of governance, information flow and how boards are developed and supported to meet the demands of modern healthcare.

Boards that will be most effective are those that deliberately design their work, integrate their decisions and govern the enterprise as a coherent whole — through clearly distributed authority and integrated decision-making.

HTNYS can help with board development! Access our library of [healthcare governance resources](#), including our [Boardroom Essentials videos](#) (more coming soon!), read our monthly [Trends](#) emails and attend our [Annual Trustee Conference](#), Sept. 17 - 19 at Turning Stone in Verona!

Information for this article was obtained from

- [Falling Behind: Health System Operations Are Advancing Faster than Governance](#), The Governance Institute
- [Health system governance is falling behind: 8 things to know](#), Becker's Hospital Review

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Contact:

[Kristen Phillips](#), Director, Trustee Education and Community Health Policy, Healthcare Trustees of New York State

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