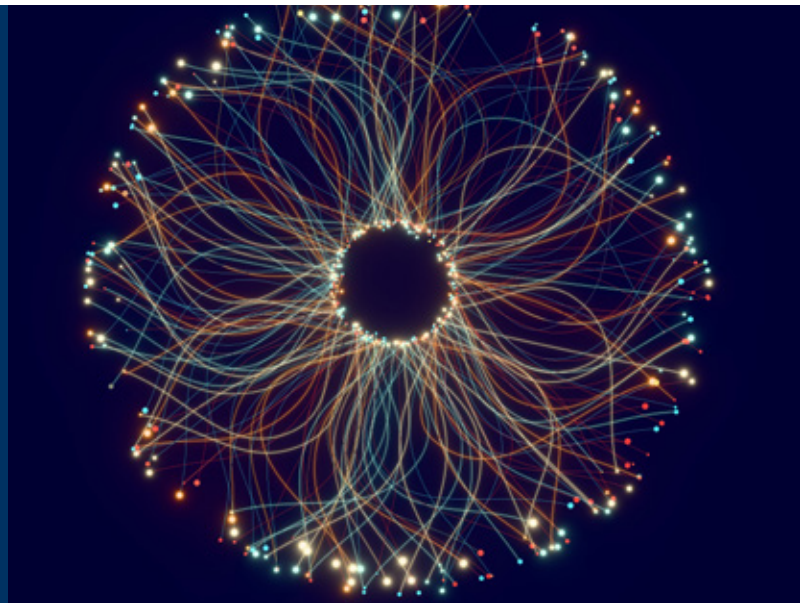
Why Board Evaluations Matter More Than Ever for Hospitals and Health Systems



> *Board evaluations are declining at a time when the demands on healthcare governance are intensifying — making this often-overlooked discipline more important than ever.*

Board evaluations are critical for strengthening oversight, driving board refreshment and improving the overall effectiveness of the board, its committees and the contributions of individual directors. Annual evaluations are commonplace at U.S. public companies; 99% of boards on the S&P 500 (all but six) report carrying out some sort of annual performance evaluation, according to the *U.S. Spencer Stuart Board Index*.

Yet board evaluations are far from ubiquitous among hospital and health system boards. Not only are hospital and health system boards less likely than public company peers to conduct an annual evaluation, the use of evaluations appears to be declining. Only 51% of hospitals and health systems surveyed for the American Hospital Association's (AHA) *2025 National Governance Report* engaged in a full board assessment in the prior three years, a decline from 57% a decade earlier. And only 19% conducted individual board member performance evaluations, versus one-third a decade ago. Board evaluations appear to be declining among hospitals and health systems at a time when the industry is facing extraordinary levels of disruption, complexity and oversight demands.

Reversing the trend: Why hospital and health system boards should undertake regular board evaluations

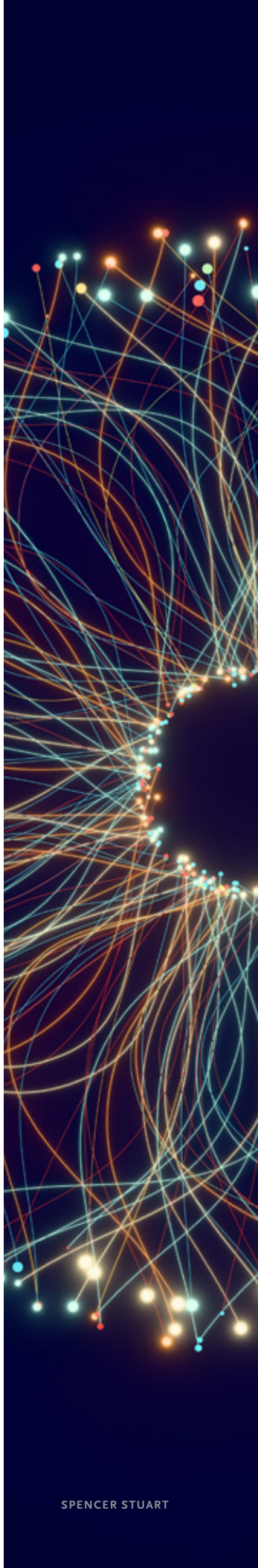
Converging economic, technological and regulatory pressures make it even more important that hospital and health system boards are operating at their best. Financial models are under strain. Cultural and political pressures are intensifying. Talent challenges persist and continue to grow. And the safe, ethical use of AI to improve patient safety, reduce clinician workload and ease administrative burden, for example, remains both a significant opportunity and a complex challenge. In this environment, the most effective boards engage with management more knowledgeably and devote more time to strategy, future opportunities and emerging risks.

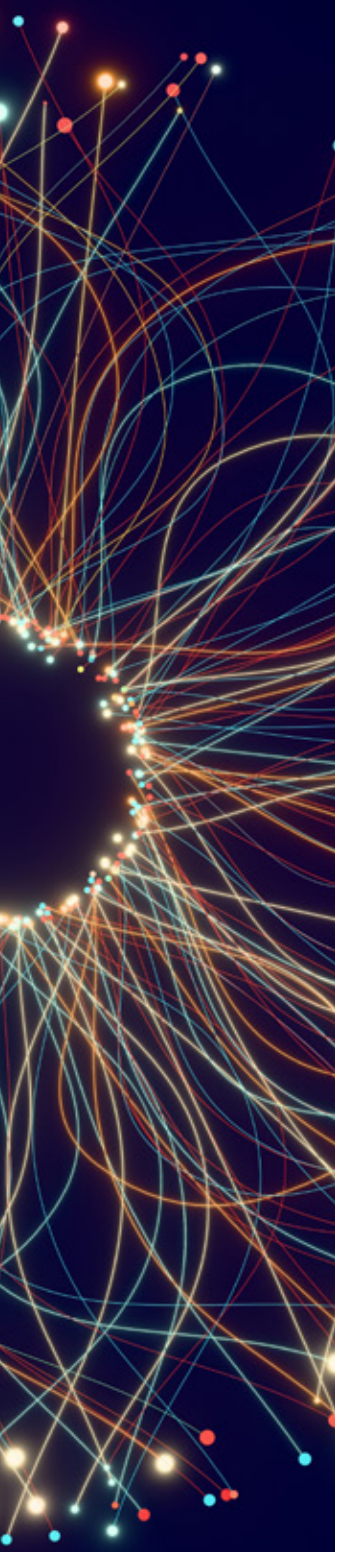
> *For more on the challenges and opportunities hospitals and health systems face and how they are shaping future leadership needs, see Beyond the Triple Threat: The Future of Leadership in Academic Medicine.*

As the industry has consolidated and health systems have grown in scale comparable to public companies, their governance models need to evolve to foster alignment and consistency across the system. This requires ensuring that the roles, decision authority and competencies of the health system and hospital subsidiary boards are clarified and operationalized.

Effective governance rests on a deliberate approach to board composition, ensuring directors possess the skills and capabilities needed to support increasingly complex organizations. Historically, hospitals have sought out individuals who were potential donors or community leaders. While this served hospital boards well in terms of local representation, mission orientation and fundraising, it also led to the appointment of many first-time board directors not well-versed in corporate board practices. Hospital boards, and non-profit boards in general, often face the tension of balancing fundraising capacity with the experience and expertise needed to provide effective oversight. Over time, hospital boards have largely been shaped by institutional history and tradition instead of benchmarking against best practices, which can be challenging in a non-profit context given the lack of publicly available information on governance structures and board practices.

Thoughtful evaluations provide an opportunity for boards to benchmark against best practices, identify their strengths and opportunities for development, better support organizational strategy and ultimately modernize their governance approach. The assessment of a prominent hospital board we recently conducted is a case in point.





Interviews with board directors and clinical leaders as part of the evaluation brought to light opportunities to enhance the board's quality committee — one of the board's most critical functions. Despite having highly skilled directors with relevant experience, the committee lacked a clear charter, purpose and agenda. Committee time was overly focused on routine data reviews, with little time spent on bigger-picture thinking about the quality strategy. The board embraced this finding and our three-part recommendation to strengthen the quality committee's oversight: First, to develop a charter that clarifies the committee's intended scope across research, clinical quality and mission. Second, to establish a consistent agenda that enables the committee to deepen its discussions of the institution's quality performance and strategy. Third, to develop a consistent reporting structure to the full board, anchored by a concise quality dashboard, paired with research highlights and patient stories, to enhance the full board's engagement and oversight.

While this anecdote highlights the potential impact board evaluations can have on board performance, the AHA data suggest that many hospital and health system boards are foregoing this opportunity. The difference in board evaluation uptake between public company and hospital and health system boards sparks an interesting and potentially concerning question: Why are hospital and health system boards straying from a key governance practice while simultaneously facing increasing stakeholder expectations and business environment uncertainty?

One obvious explanation is the regulatory environment. Most health systems and hospitals are not publicly traded and therefore don't face shareholder pressure or requirements related to board evaluation practices, so their adoption is largely optional.

Additional factors may explain the decline. The significant and increasing workload on directors' shoulders may make board evaluations a low priority. For example, most nonprofit hospital and health system board roles are uncompensated or minimally compensated, making these organizations reluctant to ask for more time and engagement. Additionally, board directors may not see the value in conducting a board evaluation. The benefits of board evaluations can take time to realize and often are only realized if the board implements the recommendations.

So how can boards realize the full value of board evaluations?

The difference in board evaluation uptake between public company and hospital and health system boards sparks an interesting and potentially concerning question: Why are hospital and health system boards straying from a key governance practice while simultaneously facing increasing stakeholder expectations and business environment uncertainty?

Translating insights into action to get the most from a board evaluation

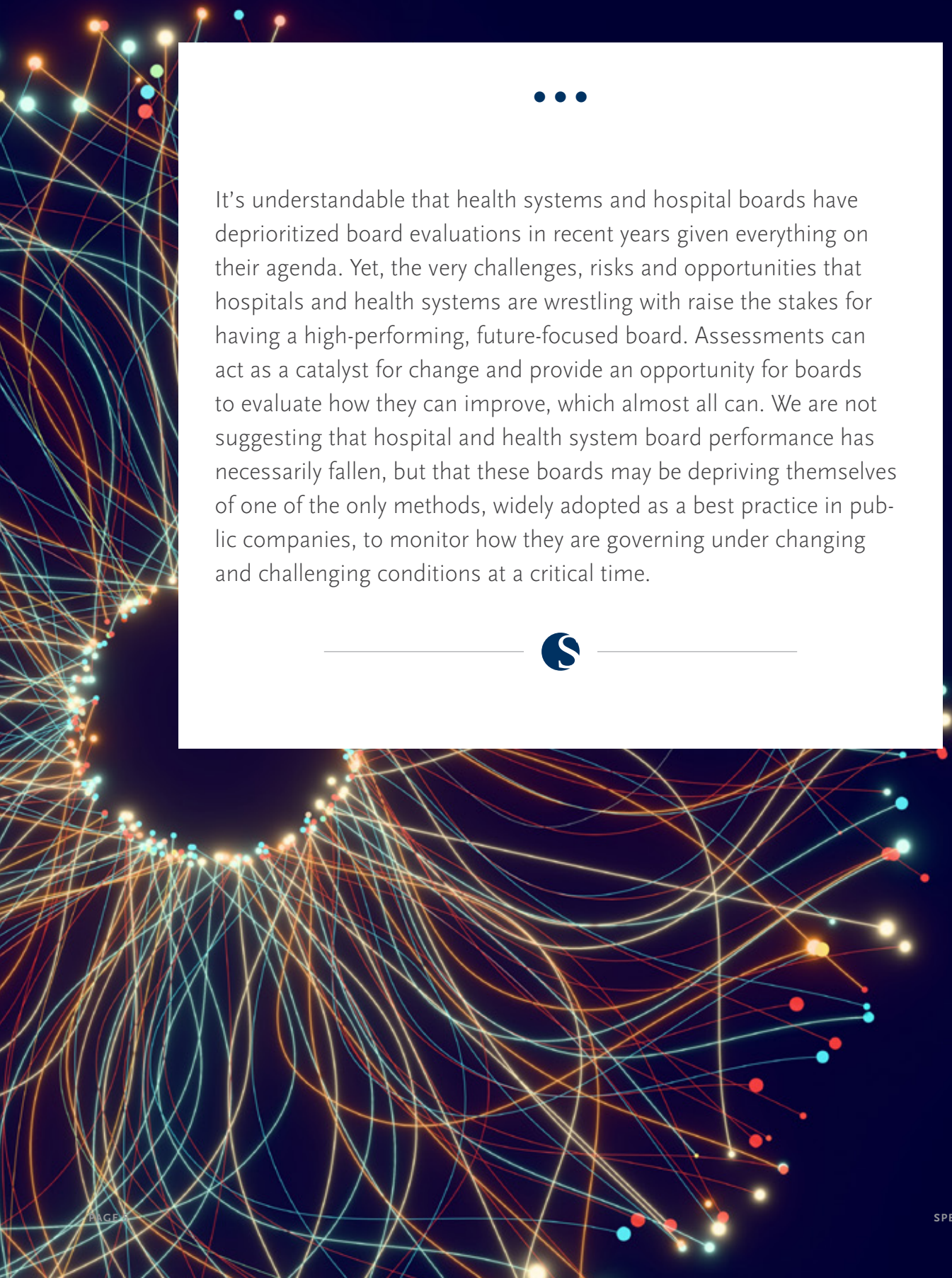
When done right, board evaluations are a starting point, not the end. As detailed in Spencer Stuart's recent handbook *Board Evaluation Best Practices: From Insight to Impact*, high-impact board evaluations focus on the follow-through rather than the findings. Going from insights to action requires deliberate design choices before, during and after the assessment process.

Before the assessment, boards should clarify and communicate the goals and expectations for the process to foster buy-in and alignment. During the assessment, boards should select the mechanism for obtaining feedback — surveys, interviews or a hybrid approach — that serves their context best. That said, surveys alone may be insufficient for obtaining meaningful insights or bringing directors along with the potential to impact board effectiveness; best practice is to include in-depth interviews, complemented by a quantitative survey and external benchmarking.

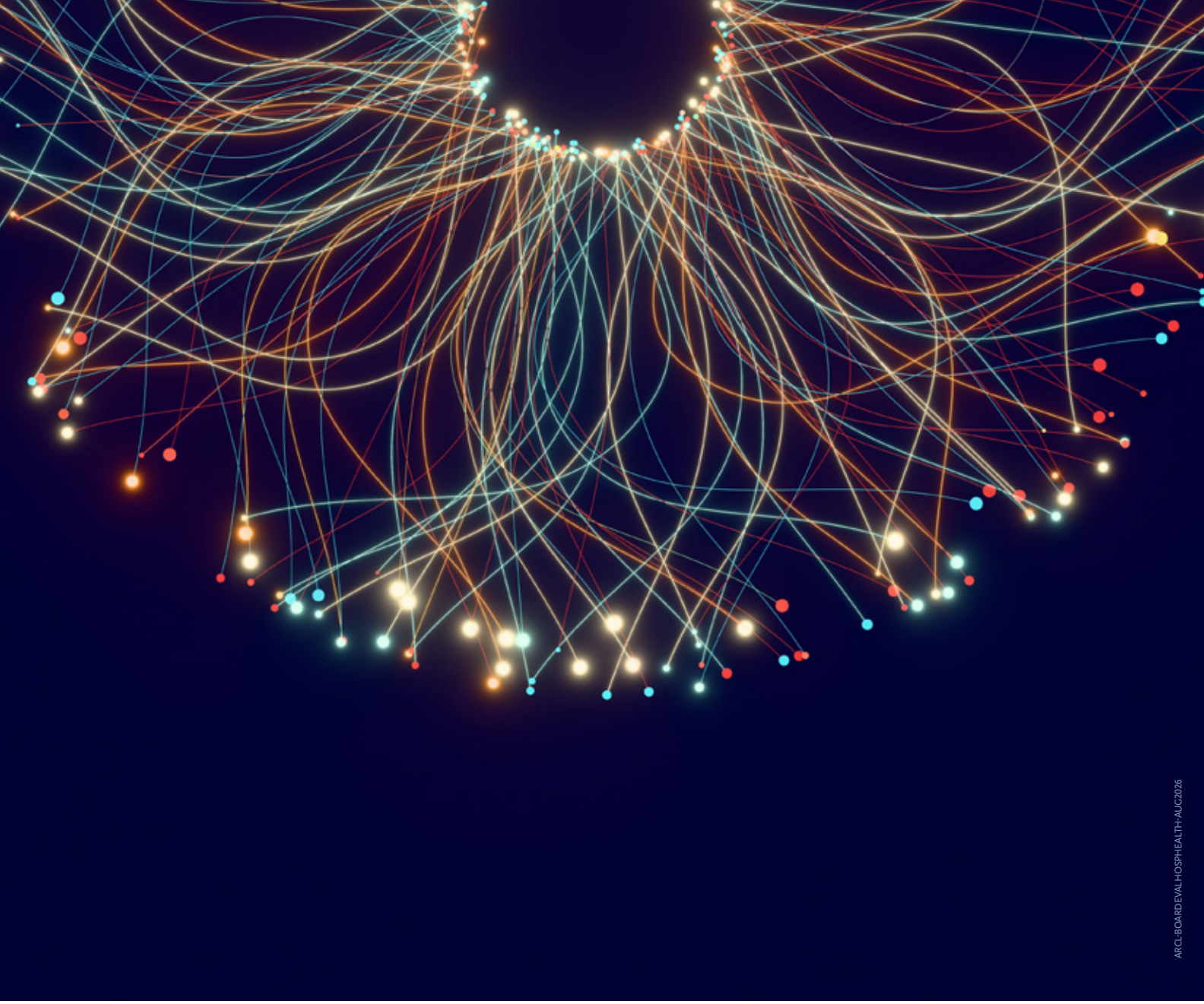
Post assessment, boards should prioritize and assign ownership for implementing the recommendations, have the courage and willingness to engage in difficult conversations, if necessary, about longer-term or more intractable issues and work toward resolution of those issues. If individual director assessments were included, board leadership should ensure that directors receive their feedback in a confidential, supportive manner. Doing so can help translate the assessment insights and recommendations into action and sustained behavior change.

For boards to remain supportive of and engaged in future assessments, the link between the assessment findings, the actions taken by the board and the results of those actions must be clear to the board and beyond. If this is not clear, boards and other stakeholders may question the value of the process.

For boards to remain supportive of and engaged in future assessments, the link between the assessment findings, the actions taken by the board and the results of those actions must be clear to the board and beyond.



It's understandable that health systems and hospital boards have deprioritized board evaluations in recent years given everything on their agenda. Yet, the very challenges, risks and opportunities that hospitals and health systems are wrestling with raise the stakes for having a high-performing, future-focused board. Assessments can act as a catalyst for change and provide an opportunity for boards to evaluate how they can improve, which almost all can. We are not suggesting that hospital and health system board performance has necessarily fallen, but that these boards may be depriving themselves of one of the only methods, widely adopted as a best practice in public companies, to monitor how they are governing under changing and challenging conditions at a critical time.



ARCL-BOARDEVALHOSPHEALTH-AUG2026

About Spencer Stuart

Privately held since 1956, Spencer Stuart is a leading global advisory firm specializing in people, team and organizational performance — spanning more than 60 offices, over 30 countries and more than 50 practice specialties. Boards and executive leaders consistently turn to Spencer Stuart for senior-level executive search, board recruitment, board effectiveness, succession planning, executive assessment and development, culture change and performance acceleration for senior leadership teams. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

Authors

Alexis Stiles (New York)
Zachary Morfin (San Francisco)