

Health System Board of Trustees React to Pressure to Diversify

Diverse representation is critical to the mission of serving their communities

With a growing spotlight on systemic racial inequities, many CEOs of U.S. public companies have pledged to increase diversity among boards and C-suites. The re-energized national conversation on race, coupled with impatience around sluggish improvement towards equity in the board room, has created a unique historical moment to accelerate progress.

Top Reasons Why Health System Boards Need More Diversity

Critical to Mission

At the heart of healthcare's mission is serving the community. They're limited in their ability to do so without fully representing their community at every level, including governance

Essential for Effectiveness

More diversity increases a board's ability to think strategically and operate effectively, considering all angles. Lack of diversity—whether it's gender, ethnic, age, skill, or philosophical—can constrain a board's "cognitive breadth" and create blind spots.

Increasing Government Push

Recent trends indicate board diversity may be a future requirement. A California law requires companies headquartered in the state to meet specific board diversity standards. And in 2021, Goldman Sachs required any company it takes public have at least two diverse board members.

Mounting Public Pressure

Given increasing public pressure and accountability, organizations don't want to be seen as laggards in regard to diversity. Women and communities of color represent an increasing share of economic purchasing power and expect organizations to embrace inclusive policies.

Demographic Gaps Detach Board Members from the Communities They Serve

Nearly universally, health system boards want to increase their diversity and most report they have plans to do so. In 2021, 83% of boards reported they have a recruitment strategy to increase diversity. Despite this investment, board demographics hardly reflect the healthcare workforce and communities they serve. As the U.S. population experiences unprecedented demographic diversity, board composition reflects a glaring lack of progress.

Board Demographics Do Not Reflect Workforce, U.S. Population

Minorities represent just
21% of board members
(vs. 40% of the U.S. population)

Women represent just
27% of board members
(vs. 80% of healthcare workforce)

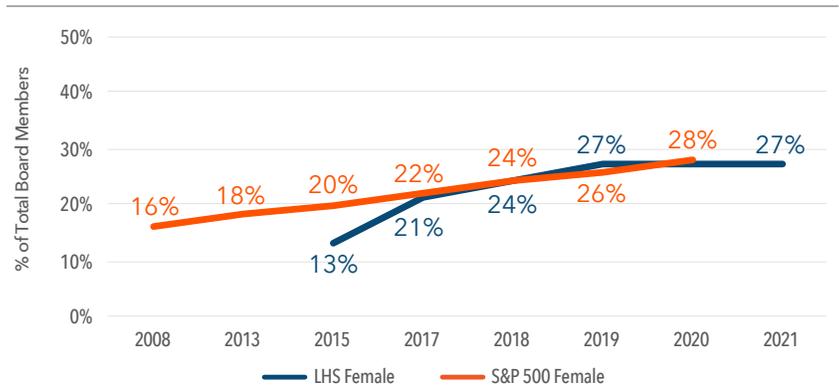
2/3 of boards still sixty and older,
almost none under 40
(despite Millennials 24-40 representing 35% of U.S. workforce)

Immediate Action Required to Jumpstart Diversity Progress

Diversity progress in the board room has historically been slow. Consider gender inequality. Despite a decades long push for equal representation, women represent just 27% of health system board members in 2021.

This is because most boards are stacked with long-tenured members with few turnover mechanisms to regularly open new seats. In addition, board policies often negate opportunities to refresh board composition with new and diverse members, particularly given that 88% of boards do not plan to add new board seats over the next 1-3 years. To see measurable progress, boards need to modernize many of their outdated practices, and they need to start immediately.

Female Representation Across Leading Health Systems (LHS) and S&P 500 2008-2021



Practical Levers to Modernize Governance (and Benefits to Doing So)

Current Governance	Modern Governance	Board Benefit
Board members are eligible to serve 12-15 years on average.	Tighten term limits	Forces natural turnover and provides more opportunities to refresh board slate.
59% of boards have no age limit.	Implement age limits	Opens opportunities for younger members, fresh perspectives.
Bylaws often dictate that board seats are reserved for ex-officio members, clergy, etc.	Update bylaws	Increases flexibility, with fewer board seats governed by outdated bylaws.
Only 33% of boards report compensating members.	Offer compensation	Board service is accessible to more members.
Boards primarily recruit through internal peer networks, limiting the diversity of their candidate pool.	Adopt new recruiting methods	External sources increase ability to surface diverse, highly qualified candidates.

Findings curated from The Health Management Academy's ("The Academy's") recent research report "2021 Governance & Executive Leadership Trends Across Leading Health Systems". Qualitative and quantitative insights gathered in May and June 2021 from executives across the Leading Health System market. Published in August 2021 with financial support from WittKieffer.