Trustee Insights

BOARD CULTURE



# Trust: The Currency of Governance

## How a strong board-CEO relationship helps health systems navigate complex decisions without compromising oversight

**BY MAULIK S. JOSHI, DR.P.H.**

For hospital and health system boards, making timely strategic decisions while maintaining rigorous oversight is an essential governance responsibility. Trust between trustees and executive leadership can make that balance possible, particularly when organizations face complex challenges, significant investments and unexpected setbacks.

In 2025, Meritus Health in Hagerstown, Md., launched the state's first medical school in more than 100 years. The project involved an investment of more than $250 million and included the construction of an academic building and student housing.

A project of this magnitude could easily have become ensnared in extended deliberation, sequential approvals, governance committees and organizational hesitation. Instead, a strong foundation of trust between the board and executive leadership enabled timely decisions, effective oversight and the organizational agility necessary to bring the medical school from concept to reality in four years.

The Meritus experience illustrates how boards can build and sustain the trust necessary to govern effectively when faced with consequential strategic decisions.

### Background

Western Maryland's largest healthcare provider, Meritus Health is a community-based academic health system employing more than 4,000 people and generating $850 million in annual revenue. Meritus Health serves more than 200,000 residents of the ~~tristate~~ region, including southern Pennsylvania and the eastern panhandle of West Virginia. The Meritus Health Inc. Board comprises 11 members and governs the entire organization with support from subsidiary Boards who are focused on the performance of each entity.

### The Challenge

Meritus set out to simultaneously create an entirely new medical school, navigate the accreditation process, recruit faculty and leadership, develop a curriculum, construct an academic building and student housing, establish the necessary infrastructure and recruit its first class of students. A project of this size and complexity inevitably encounters challenges, and there

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were many points along the way when assumptions had to change, decisions had to be made quickly or plans needed to be adjusted.

One major challenge — a change in the dean position — occurred three months after the preliminary accreditation was achieved and six months before the school was to open. This could have affected the accreditation process and the function of the school, and the board recognized it as a major challenge to the strategic initiative. "By having trust between the board and leadership, we were able to work through this change and have a new dean in place before the medical school opened," said Maulik Joshi, president and CEO, Meritus Health.

The situation illustrates an important governance distinction: Boards must remain informed about significant organizational risks and hold leadership accountable while allowing executives to manage operational decisions.

## The Solution

Joshi notes that where leaders direct their attention shapes what an organization prioritizes and ultimately accomplishes. As Meritus committed to its goal, reciprocal trust between the board and the CEO — what he terms the "currency of governance" — was central to the success of the mission.

Joshi says the currency of governance comprises four specific components that a health system board must trust to move ambitious projects forward:

1. The health system CEO and leadership team
2. The organization's ability to execute, improve and change
3. The organization's strategy, goals and operating plans
4. The organization's commitment to being steadfast to its mission

Ideally, trust is earned as a board sees that leadership can translate decisions into action. At Meritus Health, trust accumulated over time through repeated experiences between the board and leadership team. The key factors in building that trust are transparency, follow-through on commitments, setting clear and measurable goals and the board's understanding of where Meritus is trying to go and why.

"Every time an organization does what it says it will do, it makes another deposit into that trust account," says Joshi. "I believe trust has increased because it is reciprocal. Our board asks hard questions and provides appropriate oversight, but it also understands the distinction between governance and management. That allows the leadership team to lead and execute once strategic direction has been established."

As a result, leaders have become more agile. Stakeholders can make difficult decisions, move nimbly, pursue bold goals and work through setbacks and failures without seriously harming the board and CEO relationship.

## Outcomes

The Meritus School of Osteopathic Medicine progressed from informal conversations to board presentations to securing necessary approvals in a matter of weeks, not months. The health system did not compromise due diligence, minimize risk or lower governance standards in order to move that quickly. The speed came from the board trusting the leadership team, leadership's ability to execute, the strategic rationale and the initiative's direct connection to the mission of patient care.

The school welcomed its first cohort of approximately 97 students, who received their white coats in July 2025. Future classes are projected to expand to 180 students, helping to address the current physician shortage in Washington County, Md., and nationwide.

The robust currency of governance gave the board the confidence to approve a $24 million strategic investment in a new initiative within three months. Again, speed did not result from less rigorous governance. It resulted from having a strong trust account before the decision arrived, allowing the board to rigorously evaluate the opportunity without reopening every underlying question about leadership credibility, organizational capability, strategic alignment or commitment to the mission.

"Speed is not the objective. Better governance is the objective," Joshi states. "Ultimately, this currency rests on culture. And the desired culture is achievable in any organization. By stating a desired culture, working towards it consistently, making it visible, trust is earned."

## Lessons for Boards and CEOs

For boards and CEOs undertaking major strategic initiatives, Joshi emphasizes that trust functions like currency: It can be earned, invested, spent, gained and depleted.

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Candor, transparency, sound judgment, consistent execution and measurable results are deposits. Avoidable surprises, missed commitments and mission drift are withdrawals. A strong balance of trust gives boards and CEOs the capacity to navigate a crisis, make a calculated investment, pursue innovation or withstand temporary underperformance. That balance, however, should never be taken for granted.

"The objective is not to build trust so that governance becomes easier," Joshi concludes. "The objective is to build enough trust that the board and leadership team can govern boldly, rigorously and effectively together — especially when the organization faces its most consequential decisions."

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