

# Geographic Expansion:

## A GUIDE FOR HEALTH CENTER BOARDS

Health centers sometimes consider expanding geographically, often by adding new sites. For example:

- A recent needs assessment<sup>1</sup> uncovers a neighborhood with growing needs.
- The health center sees more patients who are from a certain area.
- The COVID-19 pandemic results in changes that suggest expansion makes strategic sense. These could be changes in the health center or community.
- There is an opportunity to apply for new funding, such as a New Access Point Grant, that would cover the expansion costs.

**If your health center is considering expanding geographically, your board of directors is a crucial part of the process.** Specifically:

- Boards play an important role in directing the health center's overall strategy and making decisions about the future that align with the community's needs.
- Boards have a responsibility to make sure that any changes to the health center's served geography are done properly.
- Your health center must obtain its board's approval *before* it can submit Change in Scope request(s) to the Health Resources and Services Administration (HRSA).

This guide provides health center boards<sup>2</sup> with an overview of geographic expansion. It provides:

- an overview of why a health center might consider such expansion;
- information on the board's role in the process; and
- questions to help guide decisions around expansion.

<sup>1</sup> To learn more, see [Chapter 3: Needs Assessment](#) of the HRSA Health Center Program Compliance Manual. Resources are also available from the National Association of Community Health Centers (NACHC) including [“The Board’s Role in the Needs Assessment”](#) and [“Quick Guide: Conducting Your Health Center’s Needs Assessment.”](#)

<sup>2</sup> Please note this includes look-alikes.

## WHAT IS GEOGRAPHIC EXPANSION?

***Geographic expansion occurs when your health center's official geographic service area (sometimes also called a catchment area) increases. This most commonly happens by adding a new site.<sup>3</sup>***

To be part of the HRSA Health Center Program, your health center must define a geographic service area that includes the zip codes where at least 75 percent of your patients live. It may also include additional zip codes. Each year, your health center must confirm that 75 percent of your patients still live in its service area as reported in last year's **Uniform Data System** (UDS) report.<sup>4</sup> Your board should review, evaluate, and approve any changes to its service area annually.

If your health center decides to add a new site, your board must approve this decision *before* seeking HRSA's approval.

There are a few different times where your health center might consider geographic expansion. For example, this might occur:

- **As part of strategic planning:** Strategic planning conversations often combine many topics, such as community needs, patient feedback, changing demographic patterns, and more. Geographic expansion can affect your health center long term, therefore it fits in well with strategic planning.<sup>5</sup>
- **When seeing patients from new zip codes:** If your health center begins seeing many patients who live outside your current service area, it's important to check if those zip codes are now part of where 75 percent of your patients live. If they are, then your health center *must* add those zip codes to its geographic service area. This would happen during your annual service area review.
- **When new needs are identified:** Your health center may identify new needs in your community. Your health center should conduct a comprehensive community needs assessment at least once every three years, and this needs assessment might identify geographies with high socioeconomic and health needs. For example, it might show high levels of food insecurity or uninsurance rates. It could show populations that your center wants to better serve, such as people experiencing homelessness or refugees. If this happens, your health center might want to expand so residents of such areas have greater access to the health center, for example, by establishing a new site or bringing mobile services to the area.
- **Based on patient or staff feedback:** If your health center conducts regular patient satisfaction surveys or has a patient advisory council, patients might tell you they would like to see the center's services in a particular geographic area. The suggestion might also come from staff who do one-off or special events, like health fairs or other outreach activities, where they receive positive patient and community feedback.
- **When considering new sites:** All sites *must* be part of the service area, so opening a new site outside your existing service area will, by definition, expand the service area. Even if the new site is *within* your current service area, it will be important to consider if that site is likely to draw patients from new geographies.
- **Following corporate consolidation:** Geographic expansion may occur through a corporate consolidation, such as a merger or asset acquisition. For more information, please see the National Association of Community Health Center's resource, "**The Board's Role in Evaluating and Implementing Corporate Consolidation Strategies.**"

3 This section does not address adding sites that are operated as an "other line of business," outside of the Health Center Program project.

4 UDS is a standardized reporting system into which health centers are required to report on a core set of measures each calendar year.

5 To learn more about strategic planning, see NACHC's **Governance Guide for Health Center Boards**, Chapter 3 or the **Board's Role in Strategic Planning**. Also see Capital Link's resources on **Strategic Planning** and **Market Assessment Toolkit**.

## HOW DOES A HEALTH CENTER EXPAND ITS GEOGRAPHIC SERVICE AREA?

There are two main ways a health center can expand its geographic service area. Both involve HRSA's *Form 5B: Service Sites*, which is the form that lists your health center's service area zip codes.

- **New site(s):** When adding a new site, the new site will be listed in the center's *Form 5B* with a list of zip codes that the site serves. If the site is approved, those zip codes become part of your overall service area.<sup>6</sup>
- **Scope adjustment to existing site(s):** If your health center wishes to expand its official service area but is *not* opening any new sites, the new zip codes can be added to the *Form 5B* of the site that is serving them through a Scope Adjustment.

***Before submitting a request for a Change in Scope (CIS) for any new sites, the board must formally approve the CIS request and document this approval in board minutes.***

### EXAMPLES OF GEOGRAPHIC EXPANSION

One health center's community needs assessment suggested a significant unmet need to the west of its service area, particularly for preventive dental services. This health center decided to respond by establishing a dental site in this area. The health center confirmed that patients at this new site would have access to all of the services in the health center's scope of project through its nearby site. It identified a facility that was conveniently located for the community and only required minor renovations. After obtaining the board's approval, the health center sought and obtained HRSA's prior approval to add the new dental site to its scope.

Another health center had a strong reputation for serving children and adolescents. A partner school approached them about opening a school-based health center at the school, which was located outside their current service area. There is public transportation between the school and one of the health center's existing sites that offer the full range of the health center's services. The health center board and leadership reviewed the community's unmet needs and saw there was a high level of pediatric, reproductive health, and behavioral health needs. The board and leadership also saw that there was not another health center near the school. They reviewed their own patient numbers and saw they were already serving some patients from this community. After considering the financial impact and strategic alignment of opening this site, the board voted to move forward with seeking HRSA's prior approval to add the new school-based site to its scope.

<sup>6</sup> A new site could be added through a Change in Scope application or a competitive New Access Point application.

## WHAT DATA DOES A HEALTH CENTER CONSIDER WHEN EVALUATING EXPANDING ITS GEOGRAPHY?

Health center staff should gather data from several different sources, and then share and discuss data findings with the board. These findings can help the board – in partnership with the Chief Executive Officer (CEO)<sup>7</sup> and staff leadership – to decide whether and how to expand its geography. Some informative data and sources include:

<b>Patient Data</b>	<ul style="list-style-type: none"> <li>• Patient origin data showing the zip codes where your patients live</li> <li>• Current payer mix</li> </ul>
<b>Community Needs Data</b>	<ul style="list-style-type: none"> <li>• Demographic, socioeconomic, and health needs of residents who live in those zip codes</li> <li>• Data on specific populations (e.g., public housing residents)</li> </ul>
<b>Safety Net Gaps and Unmet Needs Data</b>	<ul style="list-style-type: none"> <li>• Level of unmet need, defined by HRSA as the percent of low-income residents (household incomes below 200% of the Federal Poverty Level) who are unserved by other health centers (can be obtained from <b>UDS Mapper</b>)</li> <li>• Map of <b>Medically Underserved Areas and Populations</b> (MUAs/MUPs) in the area</li> <li>• List of other health centers and safety net providers in those zip codes               <ul style="list-style-type: none"> <li>• <i>Note: HRSA's Service Area Overlap: Policy and Process details how HRSA evaluates and resolves service area overlap, meaning situations where a health center proposes to serve an area that is also served by another health center</i></li> </ul> </li> </ul>
<b>Fiscal and Operational Data (Both Historical/Baseline Data and Projected Data)</b>	<p>Historical/baseline data</p> <ul style="list-style-type: none"> <li>• High-level financial performance data like operating surpluses or deficits</li> <li>• Cash reserves/liquidity, as measured by Days in Cash on Hand (national health center <b>recommendation</b> is a minimum of 60 Days in Cash on Hand)</li> <li>• Financial management data such as Days in Patient Accounts Receivable (national <b>recommendation</b> is 45 days)</li> <li>• Provider productivity data</li> </ul> <p>Projected data</p> <ul style="list-style-type: none"> <li>• Costs of hiring, facilities, scheduling, or other operational needs related to new sites</li> <li>• Financial pro forma that shows the projected expenses and revenue for any new sites</li> </ul>

<sup>7</sup> The CEO is also referred to as the “Project Director” in the HRSA [Health Center Program Compliance Manual](#).

## WHAT QUESTIONS SHOULD THE BOARD CONSIDER?

Boards play both a strategic and an oversight role. Therefore, boards should ask a range of questions regarding the proposed expansion to make sure that it furthers the health center’s mission, supports the center’s strategic plan and financial performance, and complies with HRSA requirements. Here are some potential questions – in checklist form – to consider asking as appropriate: <sup>8</sup>

<b>Strategy &amp; Sustainability</b>	<ul style="list-style-type: none"> <li>○ How does serving this geography further our mission, vision, and values?</li> <li>○ Will this improve our health center’s overall long-term viability and sustainability?</li> <li>○ Does this align with our long-term strategic plan and strategic priorities? Will it mean updating or modifying our strategic plan?</li> </ul>
<b>Target Population &amp; Unmet Need</b>	<ul style="list-style-type: none"> <li>○ Who will we serve in this new geography? What zip codes do they live in? What are their needs?</li> <li>○ What is the unmet need and demand for health services in this geographic area (as informed via <b>UDS Mapper</b> data and other community needs data)?</li> <li>○ Is the center’s staff, community experience, etc. a good fit for meeting this need?</li> </ul>
<b>Collaboration &amp; Service Area Overlap</b>	<ul style="list-style-type: none"> <li>○ Which health care organizations (e.g., hospitals, private practices, free clinics, other health centers) serve this geography?</li> <li>○ Is all or part of a service area currently served by another health center grantee, look-alike, and/or another primary care safety net provider? Will we encounter issues with <b>service area overlap</b> with HRSA? How will our new site complement existing services? Can we minimize unnecessary duplication and/or overlap? (Note: If an expansion results in service area overlap, then the health center’s management team should consider HRSA’s guidance regarding service area overlap, which is stated in the <b>HRSA Policy Information Notice 2007-09: Service Area Overlap: Policy and Process.</b>)</li> <li>○ Do we already partner with other health centers or safety net providers in this geography? If not, how will we partner with them?</li> <li>○ How will this expansion impact existing collaborations and partnerships?</li> <li>○ Will we need to enter a contractual relationship with another provider (e.g., leasing clinical staff)? Has the management team executed the necessary agreements and confirmed that all provisions mandated by HRSA are included?</li> <li>○ Have we confirmed that the new site will not include collaborations or agreements with other entities that would restrict or infringe upon the <b>board’s HRSA-required authorities and functions</b>? For example, if the new site is co-located with or operated by another entity, will the board keep its required authorities over any changes to hours of operations?</li> </ul>

<sup>8</sup> Please note that the phrase “new site” is used to describe a **proposed** new site, but all sites remain proposed until formally approved by HRSA.

<b>New Site Operations</b>	<ul style="list-style-type: none"> <li>○ What type of site will this be:<sup>9</sup> <ul style="list-style-type: none"> <li>• permanent site (operated at a fixed address and open year-round);</li> <li>• seasonal site (operates at a fixed location, but for less than 12 months during the year);</li> <li>• intermittent site (operates on a regularly scheduled basis, for a short period of time, at locations that change to continue services to the target population); or</li> <li>• mobile site (fully equipped and staffed by the health center, operating at various locations on behalf of the health center)?</li> </ul> </li> <li>○ What are the new site's proposed operating hours? Are the total number and scheduled operating hours responsive to patient needs?</li> </ul>
<b>Services &amp; Staffing</b>	<ul style="list-style-type: none"> <li>○ What services will the new site provide?</li> <li>○ Will the new site provide a service not currently offered within our scope of project? Please note that health centers must obtain HRSA's approval before adding a new service to its scope.</li> <li>○ If we are opening a limited-service site, will patients served at the site have reasonable access to our full scope of services? How will we ensure that all our in-scope services are available and accessible to patients from all of our service area zip codes?</li> <li>○ Is the site accessible to where the patient population lives or works? Have we thought about access barriers? For example, do the area's physical characteristics or residential patterns create barriers?</li> <li>○ How will we address transportation barriers that might affect access? Will we need new referral partners?</li> <li>○ Will we need to hire new staff to better meet the needs of patients from these geographies? For example, will we need new staff who have language or other competencies that help serve these patients?</li> <li>○ What is our provider productivity right now? Are we meeting <b>identified benchmarks</b> for productivity? Can we continue this level of productivity?</li> </ul>

<sup>9</sup> Review the [Form 5B instructions](#) for location type definitions.

## Capital Budgeting

- Have we identified the facility for our new site?
- Have we developed a **preliminary design and staffing plan**?
- Does the facility need renovations? If it does, how much will that cost?
- Has a **capital expansion budget** been developed? Does it include real estate, construction/renovation (often 70% of the whole project budget), furniture, fixtures, equipment, and soft costs? Examples of soft costs include design, permits, appraisals, consultants, and legal.
- What are the **possible sources of funding** for the project? Some options might include cash from reserves, capital support from grants/contributions, HRSA New Access Point grant, operational surpluses from expansion, or financing.
- Will the health center need to borrow money to complete the expansion? What is our **total and available debt capacity**?

## Financial Proforma and Feasibility

- Are we financially ready and in good financial condition? This means, for example, having sufficient cash on hand, positive operating margins, and reasonable days in accounts receivable.
- Has our finance team created an operating **plan** with a financial proforma for the new site? This plan helps assess the financial opportunity of the new site and includes start-up costs. Boards should consider: (1) projected number of patients and/or visits; (2) projected payer mix; (3) projected revenue; (4) projected expenses; and (5) local dynamics that may impact financial performance, such as payment reform.
- How many patients/visits does your center think will use the new site? What might the payer mix be? Will this expansion impact patient services revenue? For example, it might bring in new patients who have a different payer mix than our current patients.
- Are there upfront costs? For example, costs to build a new site or to hire more staff.
- Will we need to seek new grants or other funding to help cover some of these costs?
- Can we expand without more Health Center Program award funding (Section 330 grantees only)? Can we expand without moving resources away from carrying out our current HRSA-approved scope of project?
- What are the financial risks that come with establishing the new site?

## Compliance & Regulatory Impact

- Will this expansion take us into new towns, cities, counties, or states? If it does, does this place have new regulations or requirements?
- Does the state require certain licenses or other approvals to establish and operate the site? Have we completed the necessary processes? Have we obtained the approvals?
- Will we still be able to operate the new site in a manner that complies with the HRSA program requirements? For example, will the expansion change our patient demographics? If it does, how will the board recruit new board members from demographics or geographies that aren't currently represented to remain in compliance with **board composition requirements**?
- If the new site is being added through a **Change in Scope request**, has the board reviewed the request and formally approved it?
- If the new site is being added through a New Access Point grant opportunity, has the board approved the New Access Point application before the application is submitted to HRSA?<sup>10</sup>
- Has the management team responded to board questions and comments regarding the expansion opportunity? Have financial and legal experts been consulted, as necessary?

## HOW CAN GEOGRAPHIC EXPANSION IMPACT THE BOARD?

Geographic expansion can impact how your board governs. It can also impact your health center's compliance with HRSA's **board authority** or **composition** requirements. Consider, for example:

- Do we have patient board members from the new geographic area? Are any current board members connected to the new geographic area? Will the geographic expansion change our patient demographics – if it does, will we need to recruit new board members from certain demographics?
- Does the expansion include any collaborative relationships or agreements that could infringe upon the board's HRSA-required authorities?
- Will board meetings need to change format to meet the needs of board members from new geographies? Options could include rotating locations, using virtual meetings, or considering **hybrid meetings**.

<sup>10</sup> This approval must take place *before* the Change in Scope Request to HRSA.

## OPERATIONAL SITE VISITS AND EXPANSION: TIPS FOR THE BOARD

Health centers usually have one HRSA Operational Site Visit (OSV) per project period. The OSV assesses a health center's compliance with the HRSA programmatic requirements described in the [HRSA Health Center Program Compliance Manual](#). OSVs take place over 3 days and are led by a site visit team that includes a clinical reviewer, a fiscal reviewer, and a governance/administrative reviewer. More details can be found in the [Health Center Program Site Visit Protocol](#).

Each OSV includes an "interview" with the health center's board. It is best for all board officers and a majority of board members to participate. During the interview, the reviewers will ask questions to understand if the board is meeting its responsibility for overseeing the Health Center Program project. The reviewers will also ask about the board's role in conducting long-range/strategic planning, approving any new sites and/or services, and exercising other authorities set forth in [Chapter 19](#) of the Compliance Manual.

According to the [HRSA Site Visit Protocol Onsite Interviews and Interactions Resource](#), the governance/administrative reviewer will specifically discuss any new sites that were added to scope within the prior year. The reviewers also typically ask open-ended questions about the health center's strategic plan. This is a good time for the board to highlight if it has expanded its Health Center Program project. This is also a good time to discuss if the board plans to expand the Health Center Program project in the future.

Health center boards are encouraged to prepare for this discussion. Questions the board can review and discuss in advance of the OSV interview include:

- Has the health center recently expanded its Health Center Program project? This might include adding new sites or services, expanding operating hours, expanding access by hiring new providers, or adopting telehealth. Although the site reviewers typically focus on the board's activities during the year leading up to the OSV, the board may wish to discuss any expansion efforts since the prior OSV.
- If the health center added a new site or service, did the board review and approve the expansion? Was there input from patient board members?
- How have the health center's expansion efforts enhanced the quality of care?
- How have the health center's expansion efforts enhanced access to services?
- How do the expansion efforts align with the health center's long-term strategic plan?
- What expansion efforts does the board want to evaluate in the future?
- What are the primary barriers to expanding (for example, locating affordable facility space, recruiting staff, covering start-up expenses)?

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