

Service Line Expansion:

A GUIDE FOR HEALTH CENTER BOARDS

Health centers sometimes consider adding new services. For example:

- A recent needs assessment¹ uncovers a service gap.
- The health center sees more patients who want a certain service.
- The health center decides it needs to provide a new service directly because it takes too long for patients to get appointments for such service through other providers in the community.

If your health center is considering expanding the services it offers, your board of directors is a critical 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 provided services 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) for a new service.

This guide provides health center boards² with an overview of service line expansion. It provides:

- an understanding 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.

¹ To learn more, see Chapter 3: Needs Assessment of the HRSA Health Center Program Compliance Manual. Resources are also available from NACHC: "The Board's Role in the Needs Assessment" and "Quick Guide: Conducting Your Health Center's Needs Assessment."

² Please note this includes look-alikes.

What is service line expansion?

Service line expansion means expanding the services that your health center offers to its patients. This section addresses service line expansion within the Health Center Program project. This section does not address adding services as an “other line of business,” outside of the Health Center Program project.

As part of its official **scope of project**, your health center offers specific clinical and enabling services.³ Some services are required, but other services are additional or specialty and may not be offered by your health center. Examples of required services are general primary medical care, screenings, well child services, obstetrical care, preventive dental, eligibility assistance, health education, and transportation. Examples of additional or specialty services are behavioral health services, additional dental services, optometry, physical therapy, nutrition, psychiatry, or cardiology.⁴

Adding a new service to your approved scope of project is considered a service line expansion. If your health center decides to add a new service, your board must approve this decision before seeking HRSA’s approval to change your health center’s scope of project.

There are a few different times when your health center might consider expanding its service lines. For example, this might occur:

- **As part of strategic planning:** Strategic planning conversations often combine many topics, such as clinical needs, patient feedback, changing policies and reimbursement, and more. Service line expansion can affect your health center long term, therefore it fits in well with strategic planning.⁵
- **When new needs are identified:** Your health center may identify new service delivery needs in your community when it conducts a comprehensive community needs assessment at least once every three years. The needs assessment might point to specific clinical needs or gaps in access. Examples of needs might include high rates of substance use disorders or a lack of pediatric dentists who take Medicaid. These needs might then point to a service your health center could begin offering.
- **Based on patient or staff feedback:** If your center conducts regular patient satisfaction surveys or has a patient advisory council, then patients might ask for specific services, such as vision care or mental health counseling. Or staff might report that patients have trouble getting certain types of care, like nutrition, restorative dental, or psychiatry.
- **Based on patient trends:** Sometimes health centers start seeing new patient trends. For example, your health center may see more patients with mental health needs or more patients who could benefit from nutrition services. Changing demographics or health needs can point to the need to expand to new service lines.
- **When the environment outside your health center changes:** Service line expansion may result from changes in your community’s health care environment. For example, another safety net provider may have closed down or stopped providing a service line, there may be a new funding opportunity specific to service expansion, or there may be an increase in reimbursement rates for a particular service.

3 Enabling services are non-clinical services that enable individuals to access health care and improve outcomes. These include case management, translation, transportation, eligibility assistance, health education, and outreach.

4 For a full list of required, additional, and specialty services, please visit HRSA’s [Form 5A Self-Assessment Tool](#). This tool can also help identify if and how your health center offers each service. NACHC has resources related to some of these services that may be of interest to your board including a short video on “[Pharmacy Models: An Introduction for Health Center Boards](#).”

5 To learn more, 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](#).

WHAT IF A HEALTH CENTER WANTS TO ADD AN OUT-OF-SCOPE SERVICE OR BUSINESS LINE?

Most of the time, health centers offer services that are part of their Health Center Program scope of project. However, some health centers may also have certain activities that are NOT part of their HRSA scope of project. HRSA refers to these activities as “other lines of business.” For example, your health center might operate a food pantry, child welfare services, or an emergency housing program. None of these are part of your health center’s scope. **See Appendix A**, “Expansion Opportunities: Other Lines of Business,” for additional guidance.

Your health center will *not* need to submit a Change in Scope application if it wishes to expand to a new service or business line that would not be part of its scope of project. However, the same data and many of the same questions outlined in this guide are still important to consider. The board should still discuss the strategic, legal, financial, and operational implications of adding any services or business lines, even if they are entirely separate from your Health Center Program’s official scope.

How does a health center expand its services?

Health centers expand the services that are part of their scope of project by updating their **Form 5A: Services Provided**. Form 5A is the HRSA form that lists your center’s services and how they are delivered (either directly by employees, via contract, or by formal referral arrangement). Updating *Form 5A* usually means submitting a Change in Scope (CIS) request to add the new service line to your scope. Some types of changes do not require a formal CIS for HRSA. Instead, they only require submitting a Scope Adjustment to HRSA. For example, your health center does not need a formal CIS if your center changes from delivering a service line exclusively via referral to providing that service directly.

Before submitting the CIS request, the board must formally approve the CIS request and document this approval in the board minutes.

EXAMPLE OF SERVICE LINE EXPANSION

One health center serves a population that has high levels of diabetes. Patient feedback suggested it was difficult for these patients to access affordable endocrinology services. The health center decided it wanted to address such lack of access by adding a new service to its health center project: endocrinology. The health center first obtained the board’s approval for this service line expansion. Then it sought and obtained HRSA’s approval to add endocrinology to its scope. Finally, it hired an endocrinologist to begin seeing patients.

What data does a health center consider when evaluating expanding its service lines?

Health center staff should gather data from several different sources and share and discuss the findings with the board. These findings can help the board – in partnership with the Chief Executive Officer (CEO)⁶ and staff leadership – to decide whether and how to expand its service lines. Some helpful data and sources include:

Patient Data	<ul style="list-style-type: none"> • Patient demographics that are important for the service (e.g., if a health center wants to add pediatric dental, they might look at the number of pediatric patients) • Patient diagnoses, referrals, or other health information that might relate to the new service (e.g., if your health center is thinking about adding nutrition, data to look at includes the number of patients with diabetes or the number of nutritionist referrals) • Clinical quality data relevant to the new service (e.g., depression diagnoses or remission if adding mental health services)
Safety Net Gaps and Community Needs Data	<ul style="list-style-type: none"> • List of other health centers and safety net providers offering this service, including whether these providers have any accessibility barriers like eligibility requirements, long wait lists, limited hours, lack of evening or weekend care, distance barriers, etc. • Map of health professional shortage areas (HPSAs) for this service line • Data about health disparities, access, and utilization, as it relates to the community who would likely use this service • Data on specific target populations (e.g., public housing residents) who need this service

⁶ The CEO is also referred to as the “Project Director” in the HRSA Health Center Program Compliance Manual.

**Fiscal and
Operational
Data (Both
Historical/
Baseline Data
and Projected
Data)**

Historical/baseline data

- High-level financial performance data, like operating surpluses or deficits
- Cash reserves/liquidity, as measured by Days in Cash on Hand (national **recommendation** is a minimum of 60 Days in Cash on Hand)
- Financial management data, such as Days in Patient Accounts Receivable (national **recommendation** is 45 days)

Projected data

- Reimbursement rate(s) and fee schedule(s) for this service
- Payer mix of the patients who are expected to need this service
- Provider productivity data for this service
- Costs of hiring providers of this service
- Ease of hiring providers of this service
- Facilities, scheduling, or other operational needs related to this service (e.g., needing to build out a dental suite, needing group counseling rooms)
- Financial pro forma for this service expansion

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 – captured in a checklist – to ask:

Strategy & Sustainability	<ul style="list-style-type: none"> ○ How does offering this service further our health center’s mission, vision, and values? ○ Will this improve our health center’s overall long-term viability and sustainability? ○ Does the new service⁷ align with our long-term strategic plan and strategic priorities? Does it trigger the need to update or modify our strategic plan?
Target Population & Unmet Need	<ul style="list-style-type: none"> ○ Who will we serve with this new service? Have we identified the patient demographics (e.g., age, gender, race/ethnicity) and risk factors (e.g., occupational, environmental, cultural, housing status) of people who need the new service? ○ Is there enough unmet need and demand for the service in our area? The health center should look at the following: (1) UDS trend data and/or a needs assessment show a high need for the service; (2) community-based data such as survey or focus group, request from community groups, etc., suggest a high need for the service; (3) whether an existing provider is closing a site and/or is no longer offering the service to the patient population; and/or (4) is there another reason to believe that adding the service meets the needs of our patient population. ○ If our health center adds a “specialty” service to our project scope, has our center concluded that this service expansion a logical extension of primary care for our community or patients? (Note: The health center’s management team should consider applicable HRSA guidance, including, but not limited to, the HRSA Policy Information Notice 2009-02: Specialty Services and Health Centers’ Scope of Project.)
Collaboration & Partnership	<ul style="list-style-type: none"> ○ Who else offers this service? This might include other health centers, hospitals, or other safety net providers. Do we already partner with them? If we don’t, how might we partner with them? ○ Will the health center provide the new service directly, by contract, and/or by referral? For contracts and referrals, has the health center management team identified the other provider(s)? Have they created a written contract/agreement that has all of the HRSA-required provisions? ○ How will offering this service impact our existing collaborations and partnerships?

⁷ Please note that “new service” describes a proposed new service, but all services remain proposed until formally approved by HRSA.

Staffing	<ul style="list-style-type: none"> ○ Will the center need to hire new staff to deliver this service? How many new staff will be needed? How will this change affect our budget? ○ What is our current provider productivity? Are we meeting identified benchmarks for productivity? Do we think we can continue this productivity for the new service?
Operations & Access	<ul style="list-style-type: none"> ○ Is the new service accessible to where the patient population lives or works? For example, do the area's physical characteristics or residential patterns create barriers? Are there barriers related to distance and time it takes for patients to travel to or between sites to access the new service? ○ Will we ensure that this new service is available and accessible to all our current patients? Will the new service be provided at all existing site(s)? Will health center provider(s) travel between sites? Or will we provide services to transport patients between sites or to a non-health center site that offers the new service via a referral relationship? ○ If new patients come to us because they use the new service, how will we ensure they have access to all our existing in-scope services? This includes coordination with primary care. ○ Will the new service be provided at one or more locations that are not currently within the health center's scope of project? Health centers must obtain HRSA's prior approval to add a new service site to its scope of project. ○ How does the new service impact our quality improvement/assurance activities? Should we review and update any board-approved quality improvement/assurance policies and/or procedures?
Sites & Renovations	<ul style="list-style-type: none"> ○ How will adding this service impact our sites? For example, will an in-scope site need renovations or other changes to make new or different clinical spaces? Please note this could include mobile units. ○ If new spaces are needed, has staff created a capital expansion budget? Does it include real estate, construction/renovation, furniture, fixtures, equipment, and soft costs? Examples of soft costs are 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, operational surpluses from expansion, or financing. ○ Will we need to purchase and/or lease medical equipment or supplies? What is the financial impact? ○ What is our total and available debt capacity?

Financial Impact

- Are we **financially ready** and in good financial condition? This means having sufficient cash on hand, positive operating margins, and reasonable days in accounts receivable.
- Has our finance team created an operating plan with proforma for the new service? This plan helps assess the financial opportunity of the new service line.
- Do we know how much it will likely cost to provide the new service and what type of revenue it might generate? Do these calculations take into account the likely demand for the service? What about the patient payer mix?
- What is the reimbursement rate for this service? Is it reimbursed for all payers and for all age groups?
- Has the board reviewed and approved the fee schedule for the new service? Has the board confirmed that the new service will be available to patients regardless of their ability to pay and in accordance with the health center's **sliding fee discount program**?
- Are there upfront costs? For example, costs to renovate a site or hiring more staff.
- Will this service need new spaces, staff, or supplies? If it does, will those costs have a financial impact?
- Will we need new grants or other funding to help cover the cost of providing this service? If so, have we looked for possible funding sources (e.g., foundation support, state grants, or local hospital community benefit grants)?
- Will this service line impact patient services revenue? For example, will it bring in new patients that have a different payer mix than our current patients?
- Can we expand without more Health Center Program award funding (Section 330 grantees only)? Can we expand without moving resources away from carrying out the current HRSA-approved scope of project?
- What are the financial risks that come with adding the service?

Compliance & Regulatory Impact

- Does the state require certain licenses or other approvals to provide the new service? If so, has the health center completed these processes and received the approvals?
- Can we still comply with HRSA requirements? For example, will the new service change our patient demographics? If so, will the board need to recruit new board members from those demographics to stay in compliance with **board composition requirements**?
- Has the board reviewed the proposed request, per the HRSA **Add a New Service To Scope Checklist**? Has it formally approved submitting the Change in Scope Request to add the new service? Please note this approval must occur *before* the Change in Scope Request is submitted to HRSA.
- Has the management team responded to board questions and comments regarding the expansion opportunity? Have financial and legal experts been consulted, as necessary?
- Will the health center enter into an agreement with another entity to provide the new service? If yes, have we checked if this partnership will restrict or infringe upon the **board's required authorities and functions**, as described in **Chapter 19 of the Compliance Manual**?

DO HEALTH CENTERS EVER *STOP* OFFERING A SERVICE LINE?

Occasionally, health centers make a difficult but strategic decision to stop offering a service line. This might happen if:

- The service is now offered elsewhere in the community, thus health center patients no longer need it;
- The health center faces a significant long-term reason they can no longer offer the service. These reasons might be logistical or operational. For example, dental services that had been offered before COVID-19 are no longer safe to offer in the current physical space. Or new laws or regulations might create barriers that are so high that it makes more sense to stop offering the service.

Removing a service from the Health Center Program project requires both the board's prior approval and HRSA's prior approval. Before making such change, health center management, along with the board, should review the HRSA resource, [Delete Existing Service Checklist](#).

Appendix A. Expansion Opportunities: Other Lines of Business

This guide focuses on expansions that broaden a health center’s HRSA-approved **scope of project**. However, a health center may decide to implement an expansion opportunity *outside* of such scope of project. In this instance, the activity is an “other line of business.” In this appendix, “other line of business” and “out-of-scope service” refer to the same thing.

Other lines of business do not need HRSA approval, do not need to meet HRSA’s programmatic requirements, and are not subject to HRSA oversight. For example, services offered as other lines of business do not need to be reasonably available to all patients. Also, the fees do not need to be discounted in a way that lines up with the health center’s **sliding fee discount program**.

If the health center has other lines of business, then the costs of such activities should not be in the annual budget for the Health Center Program project. It is important to keep these finances separate. Thus, the health center’s Chief Financial Officer should play an active role in structuring, implementing, and monitoring the budget to make sure that the Health Center Program project budget is kept separate from costs related to running all other lines of business.

Please note, other lines of business cannot use Health Center Program benefits. This limitation should be kept in mind when considering the costs and benefits of establishing an other line of business. Examples of Health Center Program benefits include payment as a FQHC under Medicare/Medicaid/CHIP, 340B Program eligibility, or Federal Tort Claims Act (FTCA) coverage.

Reasons to Expand through an “Other Line of Business”

The most common reasons to establish an “other line of business” include:

1. It would be challenging or impossible for the expansion activity to comply with HRSA’s programmatic requirements.
2. There would be higher reimbursement for the service(s) if it was provided outside of the Health Center Program project.
3. The expansion relates to an activity that is not related to the types of services offered by the Health Center Program project or would not be approved by HRSA as an in-scope activity.

Appendix B. 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, or covering start-up expenses)?

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