

CASE STUDY



# Transforming Rural Healthcare Through The HRSA LGP

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Grace Health's Journey



# Introduction: Bridging Gaps in Rural Kentucky

In the rolling hills of southeastern Kentucky, where the lack of access to healthcare looms large and poverty rates exceed national averages, Grace Health, a Federally Qualified Health Center (FQHC), has emerged as an essential provider for over 45,000 patients across six counties. This case study describes how Grace Health leveraged the HRSA Health Center Facility Loan Guarantee Program (LGP) to overcome barriers like aging infrastructure, fragmented services, and limited access to rural healthcare to complete two capital projects that reshaped their care delivery. Grace Health CFO Chad Stevens shares his lessons learned and offers a roadmap for health centers seeking to use the HRSA LGP.

## Grace Health: A Community Anchor in Southeastern Kentucky

Founded in 2008, Grace Health operates eight clinics, 34 school-based health and dental sites, and four pharmacies, employing nearly 500 staff members. Its services, spanning pediatrics, women's care, behavioral health, dental, pharmacy, and telehealth, address the region's high rates of chronic disease, substance use disorders, and maternal health challenges. Yet in 2019, Grace Health faced an inflection point: its facilities were outdated, services were siloed across multiple locations, and patient demand outpaced capacity.

"Grace Health operated five clinic sites within a 10-mile radius" recalls Chad Stevens, Grace Health's CFO. "The HRSA Loan Guarantee Program provided the vital financing solution we needed to develop an 88,000 square-foot, state-of-the-art facility that brought all our primary care services under one roof."

## The Turning Point: Two Projects, One Vision

Grace Health's leadership team recognized that the HRSA LGP could provide the financial stability and credibility needed to attract lenders.

Originally authorized by Congress in 1997, the HRSA LGP offers loan guarantees for the construction, renovation, and modernization of medical facilities operated by health centers. The guarantee can cover up to 80% of the principal amount of loans made by non-federal lenders. A loan guarantee can enhance the health center's credit profile, reducing the lender's risk and allowing them to lend to health centers under more favorable terms than would have been possible otherwise. For some centers, the guarantee might mean the difference between getting a "yes" or a "no" from a lender, while for others, it may allow the lender to offer a lower interest rate, a longer fixed-rate term, or a higher loan-to-value ratio.

Between 2019 and 2023, Grace Health secured two HRSA LGP-backed loans totaling \$14.725 million in federal guarantees, enabling two landmark projects:

### 1. Women's Care Renovation (2019)

In 2019, Grace Health completed a \$3 million project supported by a HRSA loan guarantee on loans totaling \$1,725,000. The project expanded the clinic from 9,000 to 19,000 square feet, adding dedicated spaces for women's health services, behavioral health counseling, and a substance abuse recovery (SAR) program. The renovation also included three ultrasound rooms and two procedure rooms, centralizing prenatal and postpartum care.

### Impact:

- Annual OB deliveries surged from 908 in 2018 to 1,078 in 2023.
- Co-locating SAR and behavioral health services improved integration of care
- New facility aided in recruitment of specialized OB/GYNs and other providers

## 2. Medical Campus Consolidation (2023)

In 2023, Grace Health opened its 88,000-square-foot Medical Campus, a \$32 million project backed by a \$13 million HRSA guarantee. The campus consolidated five outdated clinics into a single site with 85 exam rooms, 10 dental operatories, a pharmacy with six drive-thru bays, and a 10,000 square-foot space leased to a local hospital for specialty suites and enhanced imaging services.

### Impact:

- **Patient-Centered Flow:** Separate waiting areas for pediatrics, family medicine, and acute care reduced congestion and exposure risks. Transportation barriers were lifted, allowing patients access to multiple services in one trip and reaching 105,000 total annual patient visits.
- **Staff Efficiency:** Provider lounges replaced private offices, fostering collaboration among clinicians.
- **Technology Integration:** A partnership with a Health Center Controlled Network (HCCN) enabled a quick transition to Epic EHR, a healthcare software platform that enhances care through the MyChart patient portal engagement.

## Navigating the LGP Process: Challenges and Breakthroughs

For Chad Stevens, the HRSA LGP journey was both rewarding and challenging. “The HRSA team was phenomenal, but the process demands meticulous planning,” he said. Below, he shares his lessons learned from his experience:

### 1. Pre-Application Preparation:

Before submitting your HRSA LGP application, ensure thorough pre-application work:

- **Understand Requirements:** Review HRSA guidelines and complete the Environment Information Documentation (EID) checklist early.
- **Document Your Project:** Clearly outline project scope, team credentials, budget, permitting, and FF&E details.
- **Plan Financially:** Secure a lender’s commitment, develop a robust business plan with supported financial projections, and prepare a general cash flow statement.
- **Prepare for Due Diligence:** Get ready for a site visit with a detailed Loan-to-Value (LTV) ratio analysis and stakeholder meetings to address key concerns.

This focused preparation builds credibility and streamlines the application process.

### 2. Environment Information Documentation Checklist

“Complete the Environmental Information Documentation (EID) checklist immediately—even if your site seems uncontroversial,” Stevens urges. “If you don’t address the environmental and historical items early, you could experience significant delays, as we have on other projects outside HRSA’s LGP.”

### 3. Collateral Complexities:

“Map all federal obligations on your properties before applying.” Stevens advises. “If you’ve used federal funds in the past, assume there’s a Notice of Federal Interest. HRSA’s LGP team can help navigate this, but transparency is key.”

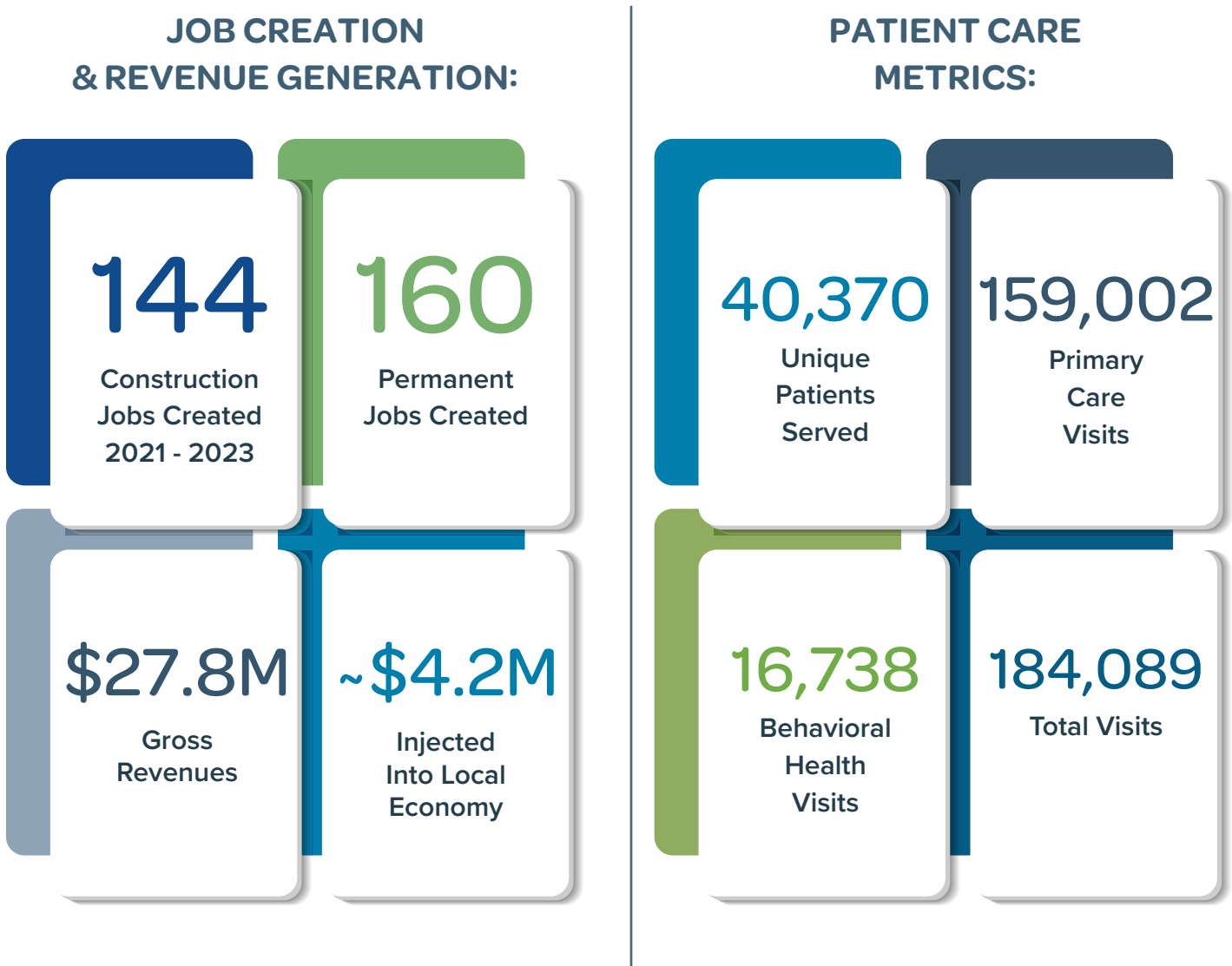
HRSA required Grace Health to collateralize its Women’s Care project loan with existing facilities built using federal grants, but one of those buildings had a “Notice of Federal Interest” (NFI) due to an earlier grant, which prevented it from being used as collateral.

#### Resolution:

Grace Health worked with HRSA and the lender to substitute collateral, pledging new furniture, fixtures, and equipment (FF&E) instead. The NFI was resolved by documenting the original grant’s expiration through coordination with HRSA and referring to the HRSA Electronic Handbook (EHB).

## Beyond Brick and Mortar >>

### Grace Health LGP Economic and Operational Impact



## Catalyzing New Developments in the Neighborhood

The Grace Health Medical Campus has catalyzed neighborhood revitalization, spurring both healthcare and local business growth. In late 2024, Horizon Health opened a nearby outpatient addiction treatment facility, citing the Medical Campus's pharmacy access as a key factor. Around the same time, the Mountain View Program of All-Inclusive Care for the Elderly (PACE) Program launched next door, offering integrated medical and social services for Medicare patients. Local restaurants have also adapted their offerings to serve the Medical Campus community, reflecting a wider ripple effect throughout the area.

## Conclusion: A Blueprint for Rural Health

Grace Health's experience with the HRSA LGP underscores its transformative potential for rural health centers. Combining federal support with local ingenuity, health centers can overcome rural healthcare's steepest challenges. In Grace Health's case, the New Markets Tax Credits (NMTC)-funded Medical Campus not only expanded direct services but also sparked broader community revitalization—from new outpatient treatment and elder care programs to local businesses adapting to meet the needs of a growing healthcare workforce and patient base. As Chad Stevens reflects, "The LGP isn't a handout—it's a handshake. HRSA believes in your mission, and they're investing in your community's future."

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## About Capital Link

Capital Link is a national non-profit organization that has worked with hundreds of community health centers and primary care associations for 30 years to plan for sustainability and growth, access capital, improve and optimize operations and financial management, and articulate value. Established through the health center movement, Capital Link is dedicated to strengthening health centers—financially and operationally—in a rapidly changing marketplace. For more information, visit us at [www.caplink.org](http://www.caplink.org).