STRATUM HEALTH ADVISORS

CASE STUDY N° 24 · DECISION ANALYSIS

Building Where the Need Is Unmet

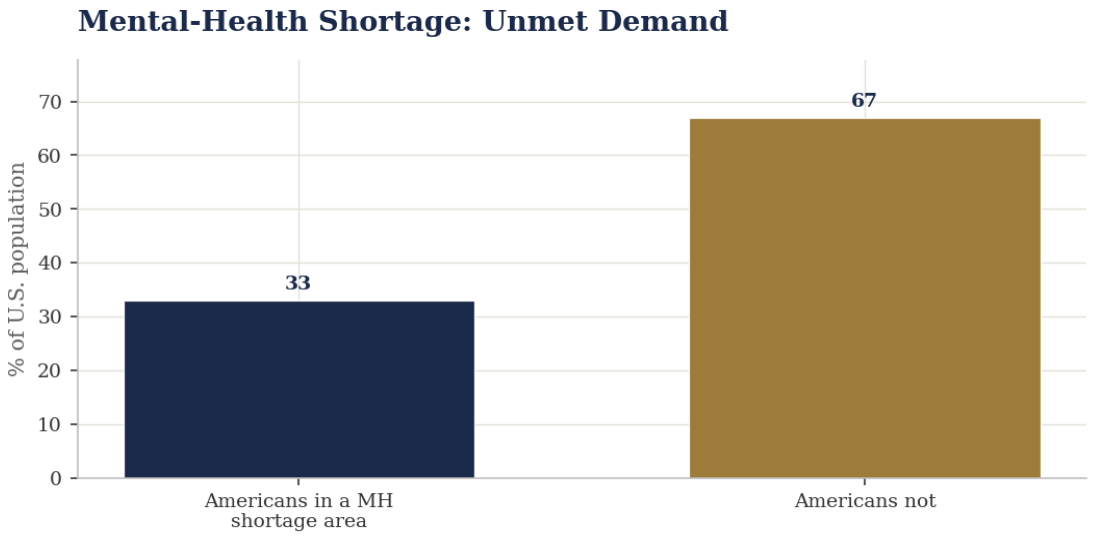
A third of Americans live in a mental-health professional shortage area — a geography of unmet demand that reshapes where behavioral-health expansion actually pays. A behavioral-health access and geography analysis.

1. The Fork

A behavioral-health operator deciding where to expand faces an unusual demand map: mental-health need vastly exceeds supply nationally, but the shortage is geographically concentrated in shortage areas — both rural regions and specific under-served urban neighborhoods. The decision is whether to expand into the dense, well-served, competitive metro markets where reimbursement is strongest, or into the shortage areas where demand is overwhelming but the economics and workforce are harder. This is an analysis of behavioral-health expansion through the lens of where the need is actually unmet.

2. The Landscape Before the Decision

The structural demand is enormous and unmet: roughly a third of Americans live in a mental-health professional shortage area, and behavioral-health M&A has run counter-cyclical to the rest of healthcare, reflecting demand that is structural rather than tied to the economic cycle[1].



Illustrative | Source: Behavioral Health Business / HRSA HPSA designations (2025).

The shortage is not evenly distributed. Both rural regions — where clinician recruitment is hardest and few providers operate — and specific under-served urban neighborhoods, often lower-income areas with high need and thin provider presence, qualify as shortage areas. The demand map is therefore a patchwork: intense unmet need in shortage geographies sitting alongside well-served, competitive metro cores where providers cluster.

3. The Decision Logic — Steelmanned

Expanding into the well-served competitive metro is the lower-risk, conventional play: reimbursement is strongest, commercial payer mix is favorable, and clinician supply, while competitive, exists. The steelman for expanding into shortage areas instead is that the unmet demand is so large that a well-run operator entering a shortage geography faces almost no competition for an overwhelming patient need — the constraint is entirely supply-side (can you staff it?) rather than demand-side (is there need?). For an operator who can solve the workforce problem — through telehealth, training pipelines, or a compelling clinician value proposition — the shortage area offers something the competitive metro cannot: patients without alternatives and no established rivals. The decision hinges on whether the operator's real edge is payer/market access (favoring the metro) or workforce solutions (favoring the shortage area).

4. The Landscape After

The strategic insight is that in a market defined by unmet demand, the binding constraint is workforce, not patients — and this inverts the usual expansion logic. In most healthcare expansion, the question is whether demand supports a new site; in behavioral-health shortage areas, demand is a given and the entire question is whether the operator can staff the site. An operator whose distinctive capability is clinician recruitment, retention, and productivity — or a telehealth model that overcomes geographic workforce scarcity — can enter shortage geographies that competitors cannot serve, capturing intense demand with little rivalry. An operator without that capability should not enter a shortage area on the strength of the demand alone, because the demand it cannot staff is worth nothing.

The payer overlay refines the map. Shortage areas often carry heavier Medicaid mix, so the operator must underwrite reimbursement carefully — but the counter-cyclical strength of behavioral-health demand and the growing policy attention to access mean shortage-area expansion aligns with where both need and, increasingly, funding attention concentrate[1]. The operator who can serve a shortage area sustainably occupies a defensible position: needed, under-competed, and aligned with policy priorities.

The failure mode cuts both ways. Entering a shortage area without a workforce solution turns overwhelming demand into an unstaffable liability; clustering into the competitive metro because its economics look cleaner ignores that the metro's rivalry compresses exactly the returns the shortage area would not. The right expansion decision matches the operator's genuine capability — market access versus workforce solutions — to the geography that rewards it.

5. The Strategic Read — For Any Behavioral-Health Operator

In a market of structural unmet demand, geography and workforce capability decide where expansion pays. The tradeoff space:

GEOGRAPHY	WINS FOR THE OPERATOR WHOSE EDGE IS…	THE FAILURE MODE
Competitive metro	Payer/market access, commercial mix	Clustering in where rivalry compresses returns
Shortage area (rural/urban)	Workforce solutions — recruiting, telehealth	Entering on demand alone, unable to staff it
Either	Matching capability to geography	Assuming demand alone makes a market winnable

6. The Stratum Outlook

> **IN PLAIN TERMS**
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> Strip away the mechanics and it is this: a third of the country lives somewhere without enough mental-health providers, so the demand is bottomless — but only in the places nobody wants to staff. You can expand into the nice competitive city where the money is cleaner but everyone already competes, or into a shortage area where patients are desperate and you would have almost no rivals. The catch in the shortage area is that your problem is not finding patients — it is finding clinicians. So the real question is what you are actually good at. If your edge is payer relationships and commercial markets, go to the city. If your edge is recruiting and keeping clinicians, or running telehealth that beats the geography, go where the need is unmet and own it. Demand you cannot staff is worth nothing — match where you build to what you are genuinely good at.

7. Where Stratum Fits

A behavioral-health operator planning expansion needs shortage-area demand mapped against its own real capability — workforce solutions versus market access — and the payer mix of each candidate geography underwritten honestly. Stratum builds that expansion analysis. Start a conversation at stratumhealthadvisors.com.

References

All figures in this analysis are drawn from the following public sources, current as of publication (July 2026).

[1] Behavioral Health Business and industry executives (2025): ~one-third of Americans in a mental-health professional shortage area; counter-cyclical behavioral-health M&A. The Braff Group behavioral M&A data, 2025. Shortage-area and workforce-constraint dynamics per HRSA HPSA designations (referenced generally).

Figures reflect the most recent public sources available and may change as ownership and market conditions evolve. This reference list is provided for transparency and does not constitute an endorsement by the cited parties.