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Chapter 5

Impact of Supportive Housing on Public Costs

High-need individuals with disabilities who are homeless have high public costs that are spread across multiple county agencies including health, social services, and justice system agencies. The Economic Roundtable, in a previous study, has demonstrated the powerful, stabilizing effect of supportive housing and its impact on significantly reducing public costs.³⁶

Supportive housing is permanent, affordable housing with on-site case management and linkages to additional supportive services such as health, mental health and substance abuse services. Preferably, but not always, these additional supportive services are provided on-site. Most individuals who enter supportive housing have experienced chronic homelessness, many are mentally ill, and all have disabilities.

The additional income and benefits provided by SSI will enable more individuals with disabilities to enter supportive housing by increasing the amount of income they can contribute towards rent and thereby reducing the amount of operating subsidies that must be provided by supportive housing operators.

Public Costs of Individuals with Disabilities who are Homeless

An analysis of 10,193 homeless, destitute single adults in Los Angeles County – 1,007 of whom exited homelessness by entering supportive housing – was carried out by the Economic Roundtable in 2009, in collaboration with Los Angeles County's Chief Executive Office. The study linked records for these individuals across multiple public agencies, providing crucial information about their characteristics and the public costs for services they used. The homeless population in this study was generally representative of Los Angeles County's overall population of homeless single adults who are U.S. citizens or legal immigrants.³⁷

Seventeen types of costs could be determined for all persons in the study, based on data provided by county departments and other agencies:

1. Los Angeles County Department of Health Services hospitals-inpatient³⁸
2. Los Angeles County Department of Health Services outpatient clinics
3. Los Angeles County Department of Health Services emergency rooms
4. Private hospitals-inpatient³⁹
5. Private hospitals-emergency room⁴⁰
6. Emergency Medical Transportation⁴¹
7. Los Angeles County Department of Mental Health
8. Los Angeles County Department of Public Health⁴²
9. Los Angeles County Department of Public Social Services Food Stamps⁴³
10. Los Angeles County Department of Public Social Services General Relief⁴⁴
11. Los Angeles County Department of Public Social Services GR Housing Vouchers⁴⁵
12. Los Angeles Homeless Services Authority services⁴⁶
13. Los Angeles County Probation Department⁴⁷
14. Los Angeles County Sheriff's Department general jail facilities and services⁴⁸
15. Los Angeles County Sheriff's Department medical jail facilities and services⁴⁹

16. Los Angeles County Sheriff's Department mental health jail facilities and services
17. Supportive housing costs

Twelve types of costs could not be determined and were left out of the study:

1. Homeless services not shown in Los Angeles County's Continuum of Care Homeless Management Information System (HMIS). These missing costs included a significant number of agencies funded by LA's Continuum of Care that do not submit data to HMIS, matching costs paid by service providers out of other sources of funds, and all nonprofit homeless service providers not funded by the Continuum of Care, including faith-based missions and food pantries.
2. Non-county outpatient clinics⁵⁰
3. Non-county substance abuse facilities
4. Non-county mental health facilities
5. Veteran's Administrations services
6. State incarceration and parole
7. Federal incarceration
8. Police
9. Courts
10. Business environment impacts
11. Business improvement districts' (BID) costs for addressing homelessness
12. Costs outside of Los Angeles County

These twelve types of costs were unavailable for both housed and homeless individuals in this study, so the absence of this data did not create any asymmetry in cost comparisons. However, this missing data results in understating the amount of public costs for homeless residents, and where there are cost savings from housing individuals who are homeless, in *understating* the amount of those savings.

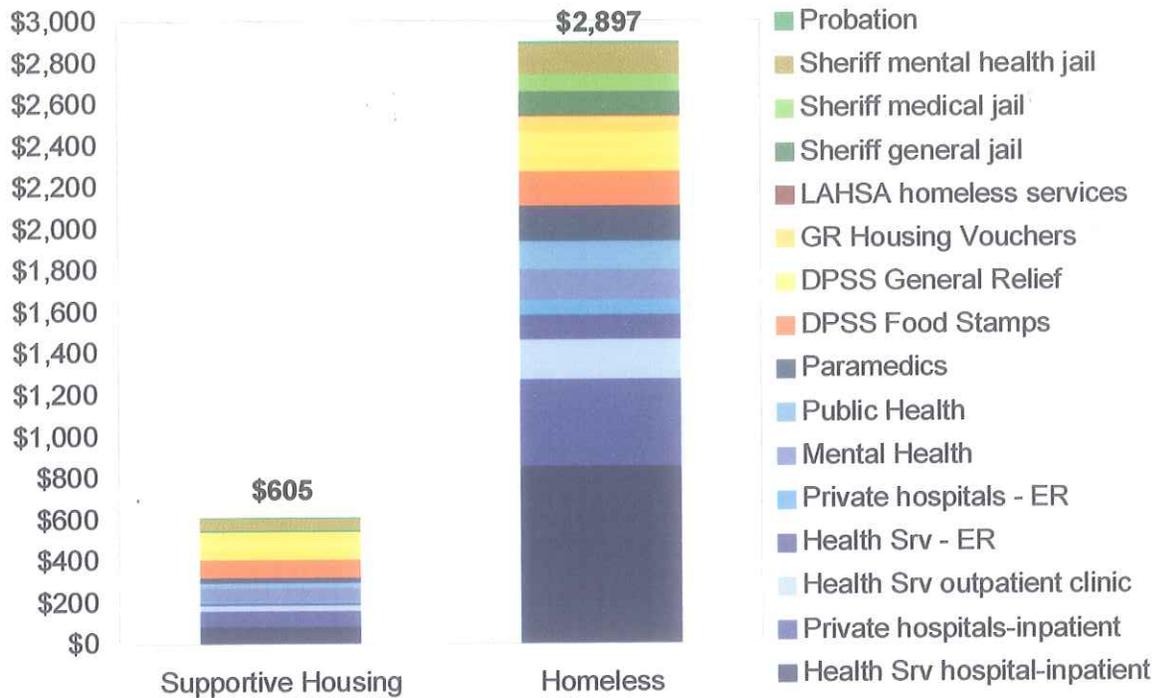
Incomplete cost data has two effects on this analysis:

1. Public costs for un-housed individuals are somewhat understated in comparison to supportive housing costs, which are fully identified.
2. Cost savings are somewhat understated because there are cost savings for most housed individuals, and to the extent that not all public costs are visible, not all savings are visible.

All 1,007 current and former residents in supportive housing were individuals with disabilities, many with histories of mental illness and substance abuse, and most were chronically homeless. The impact of supportive housing on public costs for persons who are homeless was estimated by comparing 279 individuals who were formerly homeless and had lived in supportive housing for at least a year with a matched-pair comparison group of 279 similar persons who remained homeless.⁵¹ These comparison pairs were identified through one-by-one matches based on similar *propensity scores*, that is, similarity in the crucial attributes that characterize the population.⁵²

The typical monthly cost for supportive housing residents is \$605. The typical public cost for similar homeless persons is \$2,897, five-times greater than their counterparts that are housed.⁵³ This remarkable finding that public costs are reduced by

Figure 25
Average Monthly Costs by Public Agency for Persons in Supportive Housing and Homeless Persons



Source: 279 Matched pairs of SRHT supportive housing residents and homeless General Relief recipients

four-fifths when homeless individuals with disabilities entered supportive housing demonstrates that practical, tangible public benefits result from providing housing and services for vulnerable individuals who are homeless.

Cost Distribution among Public Agencies when Homeless and Housed

Average monthly costs borne by public agencies and health providers for supportive housing residents and comparable homeless persons in this analysis are shown in Figure 25.

The amount of costs and the payer of costs vary greatly between people that are homeless and those that are housed. The \$605 average monthly cost for supportive housing residents and the \$2,897 average monthly cost for comparable homeless persons are distributed among service providers as shown in Table 4.

Public Agency"	Supportive Housing Residents		Homeless Persons	
	Monthly Cost	% of total	Monthly Cost	% of total
Country Health Services hospital-inpatient	\$80	13%	\$848	29%
County Health Services outpatient clinic	\$25	4%	\$191	7%
County Health Services – ER	\$13	2%	\$118	4%
County Mental Health	\$65	11%	\$146	5%

Table 4, cost distribution among public agencies, continued

Public Agency	Supportive Housing Residents		Homeless Persons	
	Monthly Cost	% of total	Monthly Cost	% of total
County Public Health	\$20	3%	\$134	5%
County DPSS Food Stamps	\$91	15%	\$172	6%
County DPSS General Relief	\$138	23%	\$183	6%
County GR Housing Vouchers	\$1	0%	\$83	3%
Continuum of care homeless services	\$0	0%	\$2	0.1%
County Probation	\$7	1%	\$9	0.3%
County Sheriff general jail	\$6	1%	\$116	4%
County Sheriff medical jail	\$4	1%	\$84	3%
County Sheriff mental health jail	\$48	8%	\$146	5%
Private hospitals-inpatient	\$76	13%	\$424	15%
Private hospitals-ER	\$9	2%	\$74	3%
Paramedics	\$22	4%	\$167	6%
Total	\$605	100%	\$2,897	100%

Costs for health care services provided by the county departments of Health Services, Mental Health and Public Health, together with private hospitals, account for a majority – 68 percent – of the total cost for the matched-pair comparison group of persons who were homeless. Department of Public Social Service costs and justice system costs account for an additional 15 percent and 12 percent of total costs, respectively, for persons who were homeless.

The distribution of costs by public agency is quite different for supportive housing residents. The major difference is the share of total costs borne by agencies providing health services. Only 48 percent of total costs for supportive housing residents are county Health Services, county Public Health and private hospitals. Food Stamp and General Relief benefits account for an additional 15 and 23 percent, respectively, of the total cost for supportive housing residents.

Cost Savings by Public Agencies

Overall, the public cost for formerly homeless persons with disabilities in supportive housing was found to be 79 percent less than their homeless counterparts. This cost saving is seen across all public agencies, with the largest savings in health care services. Highlights of average monthly cost savings for housed individuals by public agency are as follows:

- \$768 or 91 percent savings on county inpatient hospitalizations
- \$348 or 82 percent savings on inpatient care at private hospitals
- \$165 or 87 percent savings on county outpatient clinics
- \$144 or 87 percent savings on paramedics
- \$114 or 85 percent savings on county public health substance abuse programs
- \$110 or 95 percent savings on incarceration in general jail facilities
- \$105 or 89 percent savings on county emergency rooms
- \$99 or 67 percent savings on incarceration in mental health jail facilities

- \$81 or 56 percent savings on county mental health
- \$81 or 47 percent savings on Food Stamps
- \$80 or 95 percent savings on incarceration medical jail facilities

Cost Savings after Including the Cost of Supportive Housing

Local government is the primary beneficiary of the cost savings that result from supportive housing, but typically contributes only a small share of the cost for building and operating supportive housing.⁵⁴ Still, it is informative to include the operating costs⁵⁵ for supportive housing and the capital costs⁵⁶ for creating housing units in a final bottom line statement of cost savings.

When we add the capital and operating costs of housing to the public costs of individuals after they are housed, the average monthly savings to the public is \$1,190 per person per month, compared to the cost when they were homeless.⁵⁷ This is a 44 percent reduction in total costs compared to costs when the residents of supportive housing were on the streets.

Summary of Findings about Cost Savings from Supportive Housing

High-need individuals with disabilities who are homeless have high public costs that are spread across multiple county agencies including health, social services, and justice system agencies. When these individuals are provided with supportive housing, which is permanent, affordable housing with on-site case management and linkages to additional supportive services, local public costs for them decrease by 79 percent. If the operating and capital costs, which are largely paid for by non-local funds, are added to the equation, public costs decrease by 44 percent.

Most individuals who enter supportive housing have been chronically homeless, many are mentally ill, and all have disabilities. The additional income and benefits provided by SSI will enable more individuals with disabilities who are homeless to enter supportive housing by increasing the amount of income that they can contribute towards rent, thereby reducing operating subsidies that must be provided by supportive housing operators.