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## Is Supportive Housing a Cost-Effective Means of Preserving Families and Increasing Child Safety? Cost Analysis of CSH’s Keeping Families Together Pilot

### Summary

Findings from Metis Associates’ evaluation of the Keeping Families Together pilot were used to compare the cost of the supportive housing intervention with the cost of the reductions in public service use. Specifically, this analysis examined the costs associated with the families’ use of foster care services and homeless shelters in the two years prior to and two years following families’ placement into Keeping Families Together. The changes in public costs associated with the reduced use of these two service systems were then compared with the cost of supportive housing.

The cost offsets analysis found that families placed into supportive housing through Keeping Families Together reduced their actual and potential use of foster care services by a total of 5,415 days over two years, and their shelter use by 13,703 days over two years. Together, these reductions in foster care and shelter represent a total cost offset of \$1,866,592 over two years, or \$64,365 per family. Assuming a two-year per unit cost of supportive housing of \$66,552, **foster care and shelter reductions alone offset 97% of the cost of supportive housing.** This does not take into account offsets in other emergency public service systems.

In other words, **the net cost of preserving and strengthening families and improving child safety and well-being through supportive housing is \$2,186 over two years—just \$3 per day!**

### Cost Offsets in Foster Care Services

The costs and cost offsets due to the use of foster care services by the 29 families take into account both the *avoided* foster care costs resulting from parent-child reunifications, as well as the *prevented* foster care costs resulting from the prevented entry of at-risk children into foster care placement. The per diem cost of foster care was based upon three sources. First, the 2010 Mayor’s Management Report indicated that the per child costs of foster care range from a low of \$54.58 in foster boarding homes in Fiscal Year 2006 to a high of \$294.63 for a Congregate care Level 3 in Fiscal Year 2009.<sup>1</sup> Another estimate in 2003 stated that the costs of foster care range from \$17,000 to \$54,000 per child per year, or \$47 to \$148 per child per day.<sup>2</sup> A recent estimate by New York City Public Advocate William DeBlasio states that the annual average cost of foster care is \$36,000 per child per year, or \$99 per child per day. To be conservative, we assumed a per day foster care cost of \$97 per child, which is the median of the 2003 estimate—slightly below the Public

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<sup>1</sup> New York City Mayor’s Management Report. (2010). “Administration for Children’s Services.”

[http://www.nyc.gov/html/ops/downloads/pdf/\\_mmr/acs.pdf](http://www.nyc.gov/html/ops/downloads/pdf/_mmr/acs.pdf)

<sup>2</sup> Office of the New York City Public Advocate. (2003). “Cuts Cost: A Historical and Trend Analysis of the Effects of Proposed Preventive Service Budget Cuts on the Increase in Foster Care Placements.”

[http://publicadvocategotbaum.com/policy/cut\\_cost.html](http://publicadvocategotbaum.com/policy/cut_cost.html)

Advocate DeBlasio's cost estimate, and slightly more than half the median value of the Mayor's Management report.

#### *Avoided Foster Care Costs Due to Reunifications*

Metis Associates' evaluation found that placement into Keeping Families Together supportive housing resulted in reunifications of all six children who were in foster care placement at the time of move-in and who had the goal of reunification. These six children consumed a total of 3,239 days of foster care in the two years prior to Keeping Families Together placement. Following the placement of families in Keeping Families Together, these children consumed only 744 days of foster care. Assuming that these children would have spent as many days in foster care in the absence of Keeping Families Together, a total of 2,495 foster care days were avoided over a two-year period. These days represent a two-year cost offset of \$242,015, or on a per family basis, \$8,345.

#### *Avoided Foster Care Costs Due to Case Closures*

In addition, none of the 37 children who had indicated SCR reports (substantiated abuse/neglect investigations) were removed from their parents. According to the New York City Administration of Children's Services, approximately 11 percent of children with indicated SCR reports have wound up in foster care placement system-wide for the past three fiscal years.<sup>3</sup> Therefore, we estimate that 11 percent of the 37 Keeping Families Together children with indicated SCR reports at the time of placement—4 children—would have wound up in foster care placement. Assuming an average length of foster care placement for these children of 3.4 years, these children would have spent a total of 2,920 days in foster care over the two-year period (4 children x 365 days x 2yrs). These prevented foster care days represent a two-year cost offset of \$283,240, or on a per family basis, \$9,767.

#### *Total Foster Care Costs*

In total, we estimate that 5,415 days of foster care were avoided due to Keeping Families Together two years after placement. At \$97 per day, \$525,255 in total foster care costs was avoided. Averaging this figure across the 29 families results in an average foster care cost offset per family of \$18,112.

#### **Cost Offsets from Homeless Services**

In addition, Keeping Families Together reduced families' use of homeless shelters. In the two years prior to Keeping Families Together placement, the 29 families consumed a total of 14,323 days in family shelter and 618 days in single adult shelter. In the two years following Keeping Families Together placement, this shelter use declined to 620 days in family shelters. According to the New York City Mayor's Management Report in 2010, the cost of family shelter ranged from \$91 per day in Fiscal Year 2006 to over \$105 per day in Fiscal Year 2009. For our analysis, we used a median cost of \$95 per day. In the same period, the cost of single adult shelter ranged from \$62 per day to \$70 per day. We used a median figure of \$64 per day.<sup>4</sup> Using these per diem cost estimates, the resulting per family cost offset from shelter utilization reduction is \$46,253 over two years.

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<sup>3</sup> New York City Administration for Children's Services Monthly Flash Statistics November 2010 report, [http://www.nyc.gov/html/acs/downloads/pdf/stats\\_monthly\\_flash.pdf](http://www.nyc.gov/html/acs/downloads/pdf/stats_monthly_flash.pdf).

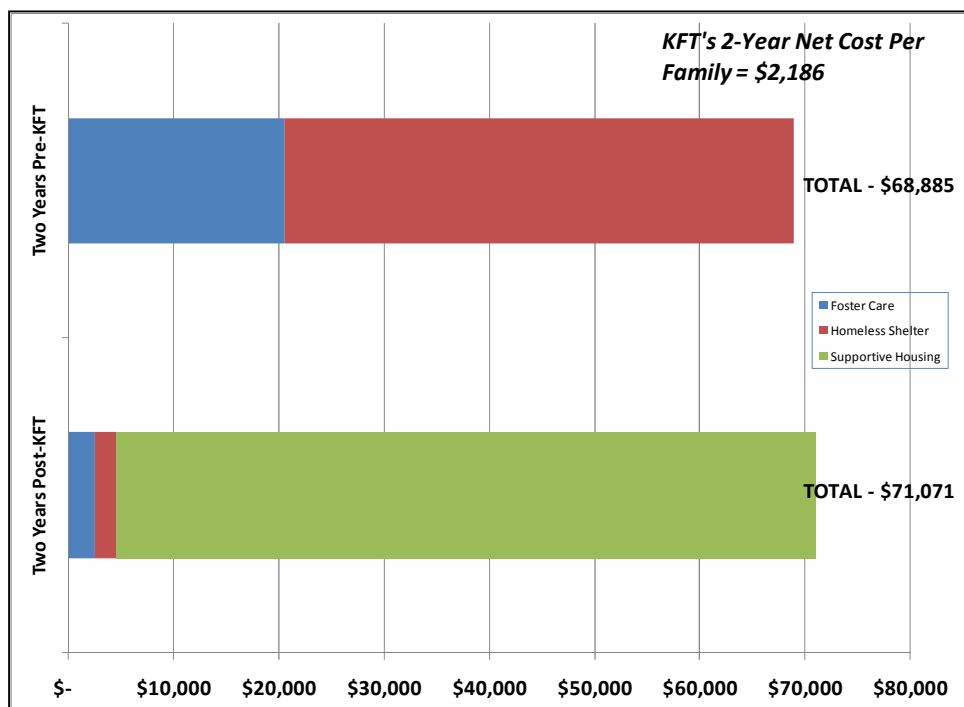
<sup>4</sup> New York City Mayor's Management Report (2010). "Department of Homeless Services," <http://www.nyc.gov/html/ops/downloads/pdf/mmr/dhs.pdf>.

## **Total Cost Offsets vs. The Cost of Supportive Housing**

Adding the foster care and shelter offsets together gives us a total public cost offset of \$64,365 over two years.

The annual public cost of supportive housing was calculated by totaling the annual public funding provided to cover operating (rental assistance) and supportive services costs for all 29 units, along with the annualized public capital grants used to finance the 24 single-site units. Annual services and operating costs ranged from \$22,000 to \$25,000 per unit, and averaged \$24,482 per unit. To calculate the annual value of capital costs for the 24 single-site units, a 30-year bond amortization schedule at 4.5% interest was constructed assuming an average per unit capital grant amount of approximately \$173,000 per unit, for an annual principal and interest payment of \$10,625 per unit. Combining these values, the total annual cost of the 29 supportive housing units in the Keeping Families Together program was \$965,004 or \$33,276 per unit. The two year average cost of supportive housing is therefore \$66,552.

**Comparing the avoided costs from avoided foster care and shelter services with the cost of supportive housing, we see that the reductions in foster care and shelter use alone offsets 97% of the cost of supportive housing. The net cost of supportive housing over two years is \$2,186, or \$1,093 per year. In other words, the net cost of keeping families together, and improving child safety and well-being is only \$1,093 per year or \$3 per day.**



We believe this cost-effectiveness analysis to be highly conservative for two reasons. First, the \$97 per diem costs for foster care is at the lower end of the cost range for foster care. Many of the children could have been placed into much higher and costly levels of care where per diem costs could be upwards of \$200 per day. If we had assumed an average per diem cost of just \$12 higher (\$108), the total reductions in foster care and shelter services would have fully offset the cost of supportive housing. Second, this analysis does not take into account any additional offsets from avoided hospitalizations and other emergency services used by the family, which based upon other studies of supportive housing, would be expected to yield additional public cost offsets. Taking these other costs into consideration would likely result in a net savings to the public due to supportive housing.