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The Business Case for a Supportive Housing Services Benefit in Washington State



King County
Department of
Community and
Human Services



**COMMITTEE TO
END HOMELESSNESS
KING COUNTY**



The Business Case for a Medicaid-Financed Supportive Housing Services Benefit in Washington State

This paper was commissioned by the King County Department of Community and Human Services on behalf of the Committee to End Homelessness in King County and is a companion document to [Integrating Supportive Housing and Health Care in King County and Washington State](#). It provides a business case for creating a Medicaid benefit to cover case management services within supportive housing for beneficiaries with high service costs and chronic health conditions who are experiencing or at risk of homelessness. The case presented below shows that **creating a Supportive Housing Services Benefit** for beneficiaries who are homeless and who have average monthly Medicaid expenditures of \$3,704 **could result in \$1.28 million in net annual State Medicaid savings**. In other words, this projection demonstrates that the State could save \$1.51 in net Medicaid costs for every \$1 spent in a Supportive Housing Services Benefit.

SUPPORTIVE HOUSING: A SOLUTION FOR HOMELESS HIGH-COST MEDICAID BENEFICIARIES

Significant subsets of King County’s high-cost Medicaid beneficiaries are people with chronic conditions experiencing homelessness. The confluence of chronic and complex health problems, the lack of a fixed and stable residence, and the lack of connection to coordinated primary and behavioral health care result in the over-utilization of emergency rooms, inpatient hospitalizations, detox, nursing homes and other high-cost crisis services, such that this small subset disproportionately contributes to rising public spending on health care. These high costs become even more striking given that they come with little to no improvements in health outcomes among the population and in fact, often result in worsening health status.

Research demonstrates that supportive housing is a cost-effective intervention to improve health outcomes while lowering Medicaid costs among homeless high-cost beneficiaries. Studies of supportive housing models have shown improved health outcomes among individuals with complex chronic health disorders. A study of DESC’s 1811 Eastlake apartments in Seattle found a 30% reduction in alcohol use among chronic alcohol users in supportive housing (Larimer et. al., 2009). In Denver, a study found 50% of tenants placed into supportive housing experienced improved health status, 43% had improved mental health outcomes, and 15% reduced substance use (Perlman and Parvensky, 2006). In addition to an improvement in health outcomes, research on supportive housing in nine states consistently demonstrates that stable housing combined with case management can significantly reduce unnecessary system use and costs.

- *Emergency Rooms* – A study of the Chicago Housing for Health Partnership program found that an “intervention” group of some 200 homeless individuals who were provided housing and case management services utilized 24% fewer emergency room visits than a similar sized, randomized control group over an 18-month period. Other studies (Denver Housing First Collaborative and California’s Frequent Users of Health Services Initiative) place the potential for reductions in emergency room visits in the 34% range (Sadowski et. al., 2009; Perlman and Parvensky, 2006; Linkins et. al., 2008).

- *Inpatient Admissions and Hospital Days* – The same Chicago study saw 29% fewer hospital admissions and hospital days for the intervention group compared to the control group. These results are similar to the reductions found in the California Frequent User of Health Services Initiative, which reported a 27% percent reduction in hospital admissions and days for homeless clients connected to housing and case management, compared to a pre-intervention baseline period (Sadowski et. al., 2009; Linkins et. al., 2008).
- *Detox Utilization and Psychiatric Admissions* – The studies of supportive housing programs report decreases of up to 87% in use of detox services (DESC’s 1811 Eastlake apartments in Seattle) and decreases in psychiatric admissions (Maine) (Larimer et. al., 2009; Mondello et. al, 2007).
- *Medicaid Services* – Results from a Massachusetts statewide pilot indicate that these decreases in acute care utilization translate into real savings in Medicaid costs. Comparing actual Medicaid costs pre and one-year post housing, the study found a 67% decrease in mean Medicaid costs (\$26,124 to \$8,499). A study of the Seattle Eastlake project likewise reported 41% lower Medicaid costs for residents after one year of supportive housing (Massachusetts Housing and Shelter Alliance, 2011; Larimer et. al., 2009).
- *Use of Publically Funded Crisis Services in Hospital, Addiction, Corrections, Shelter, and Emergency Medical Services* – An evaluation of a supportive housing initiative in Rhode Island focused on the 12 months prior to and 12 months after entering supportive housing and found that supportive housing reduced the use of a variety of emergency public services translating to \$7,946 per person in avoided public costs when housed in permanent supportive housing (Hirsch et. Al. 2009)

DESCRIPTION OF THE PROPOSED SUPPORTIVE HOUSING SERVICES BENEFIT

A Supportive Housing Services Benefit would finance (at a minimum) enhanced case management services linked to housing for enrollees who are identified as experiencing homelessness and who have high health care costs. This benefit would be set at a monthly case rate of \$368.ⁱ

At this monthly case rate, supportive housing providers would provide high-touch intensive case management services that are essential in helping people who are homeless and have chronic health conditions to access comprehensive health services and gain the independent living and self-advocacy skills that are essential for recovery. CSH’s [Crosswalk of Supportive Housing Services and Medicaid](#) found that nearly all of the services currently provided in supportive housing are coverable by Medicaid in Washington.

LINKING THE SUPPORTIVE HOUSING SERVICES BENEFIT TO AFFORDABLE HOUSING

In 2012 the Committee to End Homelessness in King County identified that the lack of sufficient ongoing service funding for populations with high service needs would impede its ability to further leverage the capital and operating funds required to produce additional units of supportive housing needed to meet its

SUPPORTIVE HOUSING SERVICES BENEFIT

Supportive housing services provided in King County include but are not limited to the following services that are covered by Medicaid in Washington’s State Medicaid Plan.

- Health and social services assessment
- Health and social services care planning and goal setting
- Health and social services coordination
- Training and skill-building around activities of daily living
- Training and skill-building around self-advocacy and self-direction of care plan
- Patient navigation
- Crisis intervention
- Individual counseling
- Health and wellness education
- Nutrition counseling

goal of ending chronic homelessness. The creation of a mainstream-funded Supportive Housing Services Benefit could leverage tens of millions of dollars in public and private investments to create new units of supportive housing. Additional housing resources should also be dedicated to pair with the Supportive Housing Services Benefit to ensure that enough supportive housing is available to meet the need. Supportive housing providers would be eligible to receive the monthly case rate payment for these services so long as the beneficiary remains housed within affordable housing and eligible for Medicaid. Cost savings generated by the benefit should be re-invested to create a sustainable supportive housing system.

THE BUSINESS CASE FOR MEDICAID-FINANCED SUPPORTIVE HOUSING SERVICES

A data match conducted by the Washington State Department of Social and Health Services Research and Data Analysis Division (RDA)¹ helps support the business case for the cost-effectiveness of a Supportive Housing Services Benefit for high-risk homeless Medicaid clients. This data match found that when Medicaid beneficiaries who identified as homeless were sorted by cost, the top five percent of those between the ages of 18 and 64 had average monthly Medicaid expenditures of \$3,704.

This client population includes persons meeting the following criteria in the State fiscal year 2011:

- Enrolled in Medicaid coverage for at least one month in the fiscal year.²
- Residing in King County as of January of the fiscal year.
- Identified as homeless or living in an emergency or domestic violence shelter for at least 6 months out of the state fiscal year, as measured by the “living arrangement” field in Washington State’s Automated Client Eligibility System (ACES) data.³

The measured Medicaid costs include:⁴

- Fee-for-service medical service payments, [Health Care Authority]
- Capitation payments to (medical) health plans, [Health Care Authority]
- Alcohol/drug treatment and related services costs [Department of Social and Health Services Department of Behavioral Health and Recovery]

Authorizing a Supportive Housing Services Benefit with a case rate of \$368 and linking it to affordable housing would create a sustainable supportive housing model to serve people who are homeless and have high Medicaid costs. Based on extensive research, this type of supportive housing model has the potential for reducing Medicaid costs by a conservatively-estimated 25 percent. (As noted above, studies have shown supportive housing to reduce Medicaid costs at much higher rates—upwards of 41 percent.)

Applying this rate of cost savings and assuming a Federal Medicaid Assistance Percentage (FMAP) of 50 percent, **Washington State could improve the lives and health of 383 individuals while reducing annual Medicaid expenditures by \$1.28 million through this Supportive Housing Services Benefit, a return on investment of \$1.51.** The following chart summarizes the calculations that arrive at this projected cost-savings.

¹ This data match was conducted by David Mancuso, PhD

² Most of the identified high-cost clients were enrolled in SSI-related Medicaid coverage.

³ This definition included the “homeless with housing” status that can include “couch surfing.”

⁴ Note that these costs do not include those of mental health services. One can assume that the actual total Medicaid costs per individual may be even higher when mental health services are taken into account.

Projected Savings Created through a Supportive Housing Services Benefit		
(Three hundred and eighty three (383) individuals in King County are homeless and have average Medicaid costs of \$3,704 per client per month.)	Per Member	All 383 Members
A. Current Monthly Medicaid Costs	\$3,704	\$1,418,792
State Share of Current Medicaid Costs	\$1,852	\$709,396
B. Supportive Housing Cost Reduction Estimate	25%	25%
C. Monthly Medicaid Offsets Projected from Supportive Housing (A*B)	\$926	\$354,698
State Share of Medicaid Offsets from Supportive Housing	\$463	\$177,349
D. Monthly Cost of Supportive Housing Services Benefit	\$368	\$140,944
State Share of Cost of Supportive Housing Services Benefit	\$184	\$70,472
E. Net Monthly Savings (C-D)	\$558	\$213,754
State Share of Net Monthly Savings	\$279	\$106,877
F. Net Annual Savings (E*12)	\$6,697	\$2,565,047
Net Annual State Savings	\$3,349	\$1,282,523
G. Return on Investment		1.5

PUTTING THE BUSINESS CASE INTO PRACTICE

There are a number of mechanisms for implementing a Supportive Housing Services Benefit through the State and/or managed care that fall within the construct of current changes and opportunities in Washington State as outlined in this paper's companion document [Integrating Supportive Housing and Health Care in King County and Washington State](#).

While a number of these initiatives incentivize addressing high costs in new ways, purposely creating a specific Supportive Housing Services Benefit will ensure that better care, better health outcomes, and cost savings can be realized and re-invested into permanent solutions that end homelessness for our most vulnerable citizens.

By adopting a Supportive Housing Services Benefit, Washington State would join the ranks of a small but growing number of innovative states intentionally ensuring the sustainability of supportive housing's impact, including New York, Connecticut, Rhode Island, and Minnesota. For more information about the integration of Medicaid and supportive housing and implementing a Supportive Housing Services Benefit in Washington State, please contact Debbie Thiele: debbie.thiele@csh.org or Peggy Bailey: peggy.bailey@csh.org.

ⁱ Rate is comparable to King County's Standard Supportive Housing case rate.