

Reducing the Utilization of Emergency Systems of Care:

Supportive housing is designed to serve people with long histories of homelessness who face persistent obstacles to maintaining housing, such as a serious mental illness, a substance use disorder, or a chronic medical problem. As compared with other very low-income people, this group disproportionately uses shelters, emergency health care, and public mental health services. They often cycle rapidly through various public institutions – shelters, jails, emergency rooms, and inpatient hospitals – at great cost to taxpayers. Studies have shown that supportive housing can break this cycle by providing housing and more appropriate services to meet the needs of these individuals, thus reducing the burden – and cost – to these emergency systems.

Research Documenting the Cost Savings Resulting from Reduced Service Utilization:

An evaluation of the New York/New York initiative – an agreement between the City and State of New York to create over 3,500 units of supportive housing – found decreases in use of homeless shelters, inpatient hospitals, emergency rooms, and jails and prisons among supportive housing tenants as compared with a matched comparison group. These reductions in service utilization resulted in an annualized savings of \$16,282 per unit, which if reinvested would offset 95% of the cost of providing supportive housing. Table 1 shows the savings generated by NY/NY housing for each system. As illustrated, the biggest savings were due to reductions in inpatient psychiatric hospitalizations, which resulted in an annualized savings of \$8,260 per unit. Large savings were also generated as a result of reductions in shelter use and inpatient Medicaid services. Costs of Medicaid outpatient services actually went up, presumably as a result of tenants getting better access to appropriate primary and preventative health care.¹

Table 1: Cost Savings in the NY/NY Supportive Housing Initiative

Service	Annualized Savings Per NY/NY Unit
DHS Shelter System	\$3,779
OMH Hospital	\$8,260
HHC Hospital	\$1,771
Medicaid – Inpatient	\$3,787
Medicaid – Outpatient	- \$2,657
VA Hospital	\$595
NYS Prison	\$418
NYC Jail	\$382
TOTAL	\$16,282

Another evaluation of the HUD-VA Supported Housing (HUD-VASH) program – targeted to homeless veterans with psychiatric and/or substance abuse disorders – found that supportive housing led to more days housed and some decreases in service utilization. This analysis found that from a societal perspective, supportive housing was 15% more costly than standard care for this population.²

¹ Dennis Culhane, Stephen Metraux, and Trevor Hadley, *Public Service Reductions Associated with Placing Homeless Persons with Severe Mental Illness in Supportive Housing*, (Housing Policy Debate, Vol 13, Issue 1).

² Robert Rosenheck, et al. *Cost-effectiveness of Supported Housing for Homeless Persons with Mental Illness*, (Arch Gen Psychiatry, Vol 60, Sep 2003).