

Ending Long-Term Homelessness in Maine through a Medicaid Waiver

Addendum Anticipated Costs and Cost Savings

Summary: Three Maine Cost of Homelessness studies compared costs of housing and services for the one year period before housing to the one year period after housing. These studies each examined housing and services costs. Using these studies, it is possible to project the cost of services alone a year after housing for the long term stayer population. For 262 long term stayers the cost of services expected to be borne by the state (federal match excluded) for case management services (the primary service that will allow stability and success in the housing) would be \$699,802 per year. Housing the 262 long term stayers vs. leaving them homeless could save the state as much as \$2,981,237 per year.

Discussion: By averaging two longitudinal Cost of Homelessness Studies conducted in 2007 and 2009ⁱ, we can expect housing and services to cost \$22,191 per person on average, or \$5,814,042 for 262 long term stayers.ⁱⁱ When compared to these people remaining homeless, this represents a savings of \$1,146 annually per person on average, or \$300,252 for 262 long term stayers.ⁱⁱⁱ

The savings brought by implementation of a Medicaid waiver for people who have experienced long-term homelessness are significant, when projected using findings from these Cost of Homelessness Studies. Most people who have experienced long periods of homelessness would benefit from affordable housing with intermittent case management/support services. This is the premise of the Shelter Plus Care program, a Housing First scattered site model. However, the above projected cost may be slightly inflated, thus the savings underestimated, due to the fact that 30% of participants in the urban cost study were housed in permanent supportive housing offering support service staff on site twenty-four hours per day, seven days a week (30 residents of Logan Place in Portland Maine). Although an extremely successful model and pivotal for perhaps 30% of the population, this level of support services is likely more than what is needed for perhaps 70% of the people who have experienced long term homelessness. This estimated 70% portion of the long term stayers can be expected to do well in an apartment with outreach support such as case management several days a week rather than requiring a building with 24/7 staffing (Shelter Plus Care model).

That is the suggestion of a recent study of another model, Community Housing, which is a blended Housing First model. As its core feature, this model integrates permanent supportive housing into large, multi-family housing developments. Danforth on High, a Community Housing development located in Portland Maine, contains eleven units of permanent supportive housing for former long term stayers at local homeless shelters within a 30-unit development.

A recent research study of this model found the cost of housing and services to be \$14,011.97 annually per person, for the same population that the Medicaid waiver aims to serve. The projected costs would amount to \$3,671,136 for 262 long term stayers who are currently experiencing long term homelessness in Maine.^{iv} In terms of savings, the research indicated, “this housing model produced average annual cost savings of \$7,044.77 per person (for housing and emergency services combined).”^v Using this cost savings figure, housing Maine’s long term stayers would generate \$1,845,729 in state savings for 262 long term stayers.

However, the majority of the costs described above come from housing and rental subsidies^{vi}, which are mainly subsidized by the federal government (Section 8 Housing Choice Vouchers, Shelter Plus Care, and HUD/VASH). These housing costs would not amount to direct costs to the state, while emergency shelter costs (pre-housing) are largely state funded. Looking solely at the overall cost for services alone,

we can expect annual costs to be approximately \$7,006 per person, or \$1,835,310 for 262 long term stayers.

MaineCare funds expended through this waiver would primarily be for case management services. By utilizing a Medicaid waiver for people who have experienced long term homelessness, funding for these services would largely be reimbursed by the federal government (for FY 15 Maine's FMAP reimbursement rate is 61.88%^{vii}), whereas currently, state dollars are predominantly used for support services while long term stayers are in the state's emergency shelter system. Taking federal reimbursement into account, the cost savings to the State by implementing the waiver would be far greater, and the direct state costs far less, than the projected figures referenced above. Accounting for federal reimbursement, according to the Danforth on High study, the net state cost would be approximately \$2,671 per person, or \$699,802 for 262 long term stayers.^{viii} Assuming federal reimbursement, and just counting the state's share of the costs for services, housing long term stayers versus keeping them homeless would save Maine \$11,378.77 per person, or \$2,981,237 for 262 long term stayers.^{ix}

Using the same methodology for the original cost of homelessness studies, assuming federal reimbursement for services, the direct state cost on average would be \$5,296 per person, or \$1,387,552 for 262 long term stayers. Again assuming federal reimbursement, and just looking at the state's share of the costs for services, housing long term stayers versus keeping them homeless would save the state \$9,741 per person, or \$2,552,142 for 262 long term stayers.^x

We have two cost of homelessness studies with different approaches and different savings amounts. To summarize, the cost of services is projected to range from \$2,671 to \$5,296 per person, or \$699,802 to \$1,387,552 for 262 long term stayers, assuming federal reimbursement. Assuming the same calculations, the state can expect to save between \$9,741 to \$11,378 per person, or \$2,552,142 to \$2,981,237 for 262 long term stayers by providing services to allow housing for this population.

Furthermore, services for any long term stayers who are Veterans and housed through HUD/VASH are entirely provided by the Department of Veteran's Affairs, which would be federally funded. These can be backed out of the above figures showing state costs. We don't know the exact number of homeless Veterans within the long term stayers group, but given that HUD/VASH is designed to target chronically homeless Veterans, essentially the same group, and there are 90 HUD/VASH vouchers at MaineHousing waiting to be put into service as of 9/9/14, there may be 90 of the 262 that will be served through this program that can be deleted from the state cost calculation. That calculation is not provided in this addendum, but should be noted as significant.

A more anecdotal approach to determining the cost of implementing this waiver can be derived by calculating the estimated cost of case management, which is the primary service responsible for people securing and remaining successful in housing. Case management services are the primary services utilized by long term stayers at Danforth on High, and, as previously mentioned, outreach case management services replace more costly emergency support services utilized while in shelters. Using an approximate salary of \$50,000 annually for a Case Manager, and \$20,000 for overhead (including fringe benefits), and assuming a 15 client caseload, the cost would be \$4,667 per person annually. This amounts to a total service dollar cost of \$1,225,000 for 262 long term stayers, before subtracting HUD/VASH.

ⁱ Greater Portland Cost of Homelessness Study: <http://www.mainehousing.org/docs/default-source/housing-reports/cost-of-homelessness-9-2007.pdf?sfvrsn=5>; Rural Cost of Homelessness Study <http://www.mainehousing.org/docs/default-source/housing-reports/cost-of-rural-homelessness-5-2009.pdf?sfvrsn=5>

ⁱⁱ Costs were calculated based on the cost after one year in permanent supportive housing as indicated in the Maine Cost of Homelessness studies. The average cost in rural Maine and Greater Portland was averaged to \$22,191 per person (\$27,101 cost in Greater Portland and \$17,281 cost one year after housing in rural Maine). 262 was the number of long term stayers in Maine from 7/1/2013-6/30/2014. We also calculated the costs based on 240 as Oxford Street Shelter has housed approximately 22 long term stayers to date. Additionally, we calculated based on 300 to take into account any fluctuations in the number of long term stayers statewide. These calculations are available in the attachment.

ⁱⁱⁱ Savings were calculated based on savings after one year in permanent supportive housing as indicated in the Maine Cost of Homelessness studies. The average savings in rural Maine and Greater Portland were averaged to \$1,146 per person (\$1,348 savings in rural Maine and \$944 savings in Greater Portland).

^{iv} Of note, the Danforth on High cost study did not measure non-emergency medical or mental health costs before and after housing. According to the study, health and mental health care costs likely decreased one year after housing (versus one year before housing), whereas costs for prescription drugs likely increased after housing was obtained. Adam Cohen's "Community Housing – A New Approach to Housing Long-Term Stayers" study states: "Based on the past Cost of Homelessness Study in Greater Portland, Maine, it is likely that the cost of health care and mental health care decreased and prescription drug costs increased in the one year after entering permanent supportive housing. Additionally, based on qualitative data from this study, case management services likely remained the same or decreased slightly in the one year after entering permanent supportive housing." Extrapolating based on this data, the net cost/cost savings for these uncertain figures likely cancel each other out.

^v Adam Cohen's Executive Summary in "Community Housing—A New Approach to Housing Long-Term Shelter Stayers." Cost savings are calculated based on use of shelter/services for the year prior to housing vs. services/cost of housing one year after permanent housing.

^{vi} According to the "Community Housing – A New Approach to Housing Long-Term Stayers" study, more than 50% of the costs after one year in housing are for housing.

^{vii} <http://aspe.hhs.gov/health/reports/2014/FMAP2015/fmap15.pdf> At a minimum, states are reimbursed no less than 50%.

^{viii} Net State cost = total cost – housing cost largely subsidized by the federal government – federal FMAP reimbursement. Per person this would be \$14,011.97 total cost – approximately 50% for housing costs = \$7,006 – \$4,334 federal FMAP reimbursement = \$2,671 state net cost per person.

^{ix} The savings were calculated by subtracting 61.88% for the service cost (i.e. 61.88% of the \$7,006 per person service = \$4,334.) This savings figure through federal reimbursement was then added back into the original savings figure (\$7,044.77 savings per person + \$4,334 reimbursement savings = \$11,378.77 savings per person).

^x The \$5,296 cost per person figure was calculated based on the original cost of homelessness studies, using the same methodology as the Danforth on High study cost calculation. The state cost assumes federal reimbursement based on Maine's 61.88% FMAP. The original cost of homelessness study found a larger percentage of post-housing costs associated with services, and thus eligible for FMAP reimbursement, creating an additional savings of \$8,595 per person on top of the original savings of \$1,146 per person. These figures were then projected over the total number of long term stayers.