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June 10, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

COST AVOIDANCE ANALYSIS OF THE HOMELESS PREVENTION INITIATIVE

On January 8, 2008, your Board instructed the Chief Executive Officer (CEO) "to work in coordination with the Director of Health Services, the Sheriff and other appropriate Departments to develop a clear methodology and formula for determining precisely how excessive costs to the County for providing health care and other social services to the homeless via the jails and emergency rooms could be avoided by implementing the programs established by the Homeless Prevention Initiative, and how savings to the County could be identified; and report back to the Board with the information prior to the Fiscal Year 2008-09 Budget Deliberations."

In response to your motion, the Research and Evaluation Services (RES) unit within the CEO's Service Integration Branch (SIB) has now developed the requested cost savings methodology and written a report providing an analysis of the Department of Public Social Services' (DPSS) General Relief Housing Subsidy and Case Management Project, which is one of the Homeless Prevention Initiative's (HPI) component programs and has an annual cost of $4.2 million (see Attachment I). The methodology developed in the report, which can additionally be deployed to generate cost savings estimates for other HPI programs, shows that the General Relief (GR) Housing Subsidy and Case Management Project can be expected to save the County between $5.4 million and $10.3 million over a period of five years. These savings estimates were arrived at by looking at a sample of participants in the program and linking their administrative records from the Departments of Health Services (DHS), Public Health (DPH), Mental Health (DMH), and the Sheriff, and then projecting outward five years. The analysis compared the projected costs of providing services to program participants with and without the GR Housing Subsidy and Case Management Project in place.

The savings estimates projected in the report rely on assumptions borrowed from other analyses of service cost savings generated through investment in programs for homeless persons. Several reviewers both inside and outside the County, including scholars with expertise in the area of calculating cost offsets, as well as reviewers from DPSS, DHS, and DPH, have reviewed this methodology. RES has incorporated their feedback in preparing the final version of the report. The projected savings estimates are somewhat conservative as they do not account for savings that will accrue if some of the GR recipients are successfully placed on Supplemental Security Income. The RES plans to perform similar cost avoidance studies for five additional HPI programs, but did not have data on hand to perform those analyses in the allotted time frame. As soon as the data, which require multi-departmental matching, become available the analyses will be performed. The five other programs are:

1. Emergency Assistance to Prevent Eviction for CalWORKs and Non-Welfare-to-Work Homeless Families, administered by DPSS;

2. Homeless Recuperative Care Beds, administered by DHS;

3. Skid Row Families Demonstration Project, administered by Department of Children and Family Services;

4. Access to Housing for Health (AHH), administered by DHS; and

5. Project 50, administered by DPH and the CEO.

After all these analyses are completed, we will have a better idea of the magnitude of the cost avoidance savings due to the HPI. Each of the HPI programs are different in scope and in populations served (e.g., families, individuals, persons being discharged from healthcare or jail facilities, etc.); it is difficult to estimate at this stage of the HPI implementation whether all programs will achieve the same annual $1 million to $2 million cost avoidance savings that the GR Housing Rental Subsidy and Case Management Program is likely to achieve.

If you have any questions, please give me a call, or your staff may call Miguel Santana at 213-974-4530.

WTF:MS
KH:CSS:MM

Attachment

Cost Avoidance Analysis HPI_6.9.08

County of Los Angeles
Chief Executive Office
Service Integration Branch

Examining the Cost Effectiveness of Los Angeles County's Homeless Prevention Initiative:

The Case of the General Relief Housing Subsidy and Case Management Pilot Project

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June 2008

County of Los Angeles
Chief Executive Office
Service Integration Branch

Board of Supervisors

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Executive Summary

Study Purpose and Authority

Background

This study was conducted to comply with a motion the Board of Supervisors passed in January of 2008 directing the Chief Executive Office (CEO) to devise a methodology to assess the potential cost savings that would be created through ongoing funding of programs falling under Los Angeles County's Homeless Prevention Initiative (HPI). The Research and Evaluation Services (RES) unit within the CEO has now developed this methodology and applied it to an analysis of the Department of Public Social Services' (DPSS) General Relief (GR) Housing Subsidy and Case Management Project, which is one of the HPI's component programs and has a total annual cost of $4.2 million.[1] While a fully inclusive projection of the HPI's cost savings benefits will require RES to apply its methodology to the Initiative's other programs as well, the present brief provides some baseline knowledge as to the cost offsets the County could expect to enjoy in continuing to make strategic and proactive investments in programs for the homeless over the next five years.

The Homeless Prevention Initiative

In response to results reported in the Los Angeles Homeless Services Authority Homeless Count, which showed that there are roughly 74,000 homeless people in Los Angeles County on any given day, the Board approved an investment of $100 million in the HPI on August 6, 2006. The HPI thus represents a major public policy change and a significant commitment by the Board to reduce homelessness in Los Angeles County. The HPI consists of 11 key programs, one of which is the GR Housing Subsidy and Case Management Pilot Project.

The General Relief Housing Subsidy and Case Management Pilot Project

The GR Housing Subsidy and Case Management Project was first implemented on July 25, 2006 in order to provide Homeless GR participants with affordable, subsidized housing, intensive case management, and access to health, mental health and public health services. The program currently serves 900 homeless GR participants at any point in time on a 'first come, first serve' basis, providing them with a monthly rental subsidy of up to $300 to be used in combination with $136 from their GR grants (or $115 for shared housing situations). The project additionally provides them with

[1] The Research and Evaluation Services (RES) unit within the CEO's Service Integration Branch (SIB) conducts policy and evaluation research for County Departments. Drawing on a wide range of evaluation research methods, RES evaluates County programs, patterns of utilization, and program impacts and outcomes to assess their efficiency and effectiveness. RES conducts its evaluation research in accordance with guidelines set forth by the American Evaluation Association and the Government Accountability Office (GAO).

move-in assistance funds and access to supportive services for mental health and substance abuse issues. As participants leave the program, new participants can fill available slots.

The Major Finding Presented in This Report

This report demonstrates that, given a number of necessary assumptions, including a time frame of five years, *the GR Housing Subsidy and Case Management Project can be expected to save the County a cumulative total of between $5.4 million and $10.3 million in cost offsets by 2012.*

Additional Highlights

- Over the period from 2005 to 2007, the cost of providing health, mental health, public health and incarceration services to a random sample of GR participants increased by an overall total of 46 percent. This is the increase that took place without the GR Housing Subsidy and Case Management Project in place.

- The number of GR participants receiving services over the period between 2005 and 2007 increased by 37 percent in the area of health services, 67 percent in the area of mental health services, 59 percent in the area of public health services, and 5 percent in the area of incarceration services. These are increases that took place without the GR Housing Subsidy and Case Management Project in place.

- Projecting over the five-year period from 2008 to 2012, the overall cost for providing health, mental health, public health and incarceration services to homeless GR participants can be expected to increase by 62 percent if the GR Housing Subsidy and Case Management Project is not in place.

- With the GR Housing Subsidy and Case Management Project in place over a period of five years, the cost for providing homeless GR participants with health, mental health, public health and incarceration services could be expected to drop between 48 and 64 percent.

The Financial Benefits of Strategic Spending in the Area of Homelessness

The General Relief Housing Subsidy and Case Management Project is expected to create cost savings for the County of Los Angeles over the next five years. Although the projections presented in this brief represent savings for only one of the County's numerous HPI programs, the CEO believes that the estimates given in this brief provide an indication of the magnitude of cost savings that can be created through continued strategic spending in the area of homelessness. The methodology deployed in this brief can provide the framework necessary for a more precise determination of the cost-effectiveness of each HPI program.

Examining the Cost Effectiveness of Los Angeles County's Homeless Prevention Initiative:

The Case of the General Relief Housing Subsidy and Case Management Pilot Project[1]

Introduction

This report has been prepared in response to a Board motion, introduced by Supervisor Knabe and passed on January 8, 2008, directing the Chief Executive Office (CEO) to develop a methodology for the assessment of the service cost savings that would be created through ongoing funding of programs falling under Los Angeles County's Homeless Prevention Initiative (HPI). The Research and Evaluation Services unit (RES) within the CEO has now devised the requested methodology and applied it to an analysis of the Department of Public Social Services' (DPSS) General Relief (GR) Housing Subsidy and Case Management Project, which is one of the HPI's component programs and has a total annual cost of $4.2 million. A complete projection of the cost savings the County could expect to enjoy, given continued funding of the HPI programs, will require RES' methodology to be further applied to the Initiative's other programs. However, in examining the cost savings the County could expect to enjoy over the next five years relative to the service outlays that would have to be made if the GR Housing Subsidy and Case Management Project were not in place, the present report provides some initial information pointing to the financial benefits of continuing to invest in HPI programs. In short, given a number of necessary assumptions, the Housing Subsidy Project can be expected to save the County between $5.4 million and $10.3 million over five years.

The Homeless Prevention Initiative

In response to results presented in the Los Angeles Homeless Services Authority Homeless Count, which showed that there are roughly 74,000 homeless people in Los Angeles County on any given day, the Board approved an investment of $100 million in the HPI on August 6, 2006. The HPI consists of 11 key programs, including DPSS' GR Housing Subsidy and Case Management pilot project. Each of these programs has been implemented by the CEO in collaboration with the Community Development Commission (CDC), the Departments of Children and Family Services (DCFS), Health Services (DHS), Mental Health (DMH), Probation, Public Health (DPH), Public Social Services (DPSS), the Sheriff, the Public Defender, and private partners.

Overview of the General Relief Housing Subsidy and Case Management Project

DPSS first implemented the GR Housing Subsidy and Case Management Project on July 25, 2006. This pilot program, which is modeled after San Francisco's Care Not Cash Program for single homeless adults, is voluntary and currently serves

900 homeless GR participants at any point in time on a 'first come, first serve' basis, providing them with a monthly rental subsidy of up to $300, move-in assistance, including funds for security deposit, last month's rent, utility deposits, moving expenses and storage fees, as well as intensive case management and access to vital supportive services for health, mental health and substance abuse issues.[2] The 900 pilot project participants are a subset of the approximately 64,302 participants that were in the GR program as of March 2008.[3]

As pilot slots become available, DPSS Eligibility Intake Staff identify GR applicants who (a) are interested in participating in the GR Housing Subsidy and Case Management Project, and (b) fall into one of three categories: 1) Employable applicants who are able to work – i.e. able to participate in the General Relief Opportunities for Work (GROW) program. 2) Applicants eligible for Supplemental Security Income (SSI) benefits. 3) Chronically homeless applicants. Each category has 300 slots available, and as participants leave the program, new participants can fill available slots. Once identified and categorized as potentially eligible for the GR Housing Subsidy and Case Management Project, applicants are referred to DPSS General Relief Homeless Case Managers (GRHCMs), who interview the applicants, provide them with vouchers for temporary emergency housing and begin the process of helping the applicants secure affordable housing while their pilot project application is pending approval.

GRHCMs work with contracted Housing Locator consultants in attempting to find affordable housing for pilot participants. The GRHCMs also provide participants with intensive case management, which includes connecting participants with needed supportive services available through DMH, DHS and DPH, assessing participants' education, previous work history, and life skills, working to authorize needed transportation allowances and, once affordable housing is located, assisting pilot project participants in completing the necessary rental agreement paperwork.

The rental subsidy provided through the GR Housing Subsidy and Case Management Pilot Project is to be used in combination with the portion of the participant's GR grant attributable to rental costs - $136 for a single occupancy housing situation and $115 for a shared housing situation. This portion of the grant, along with the rental subsidy, is paid directly to the landlord. In piloting this program, DPSS is attempting to evaluate whether the combination of rental subsidies, intensive case management, and heightened access to social services will reduce homelessness while bolstering favorable outcomes such as employment and receipt of SSI benefits.

Scope and Methodology

In examining the HPI's General Relief Housing Subsidy and Case Management Project, RES looked at 371 randomly selected participants who entered the program during the second half of 2007. In order to capture the service utilization profiles of these participants, the selected sample was matched against the service databases of the Department of Health Services (DHS), the Department of Mental Health (DMH), the Department of Public Health (DPH), and the Sheriff. The data match was conducted

using technology and procedures RES has deployed for its Adult Linkages Project (ALP). The ALP de-identifies and links the administrative records for GR participants receiving services from eight County Departments in an effort to provide systematic information on patterns of service utilization across departments and the costs associated with the services these participants use.[4]

Service costs, assuming the absence of the General Relief Housing Subsidy and Case Management Project, were projected into the next five years (2008 to 2012). These projections are based on the rate of change for these service costs for these participants that prevailed between 2005 and 2007. These costs were compared with projected service costs that would be incurred with the General Relief Housing Subsidy and Case Management Project in place for the same five-year period.

Please note that in preparing this brief RES was not able to include in the analysis benefits for which participants would be eligible if they qualify for SSI. This is important to note because if certain categories of participants qualify for SSI they receive at least limited Medi-Cal coverage, in which case unreimbursed DHS costs would be reduced and there would be Medi-Cal revenue for the County retroactive to the date of the SSI application. For example, if participants receiving outpatient services qualify for SSI, they would receive full Medi-Cal coverage. Moreover, to the extent that GR rental subsidy participants qualify for SSI, secure employment or otherwise exit GR, the subsidy program would also result in GR grant savings, including Interim Assistance Reimbursement for participants approved for SSI. For these reasons, the analysis offered here may provide an underestimation of the savings the GR Housing Subsidy and Case Management project would create. RES is currently at work on a separate outcomes evaluation of the project that will look specifically at the relationship between participation in the project and outcomes such as employment, earnings and gaining eligibility for SSI benefits.

Making Extrapolations Based on Similar Studies

Optimal predictive results for the type of cost avoidance study elucidated in this report are achieved when the analysts have access to data for service costs prior to and after implementation of the program in question. In the absence of such data, however, cost savings for particular service group types can be extrapolated based on information provided in other, comparable cost avoidance studies. In the discussion that follows, for example, RES applies cost savings factors provided in a 2002 study by Culhane, Metraux and Hadley on the service cost savings created through public investment in supportive housing for homeless persons with severe mental disabilities in New York during the 1990s.[5] However, using factors provided in other studies can only generate approximations, and the results derived in this manner should be interpreted with caution.

Service Costs in the Absence of the Housing Subsidy Program

Table 1 and Table 2 show service costs and service receipt respectively, assuming the absence of the GR Housing Subsidy and Case Management Project, for DHS, DMH, DPH and the Sheriff. These are the costs for providing services to the 371 persons in RES' sample. Figures for the first quarters of 2005 and 2007 are used.[6] The percent changes between the two quarters are also shown. Health services include all costs incurred in County hospitals and health clinics for inpatient, outpatient and Emergency Room visits. Mental health services include inpatient and outpatient visits. Public health services include detoxification, residential services and outpatient counseling. Finally, incarceration costs include booking, maintenance and medical service costs.

Table 1 - Service Utilization Costs before the Implementation of the General Relief and Housing Subsidy and Case Management (GRHSCM) Project, 2005 and 2007

Service	Total Costs-2005 First Quarter	Total Costs-2007 First Quarter	Percent Change
Health Services	$142,000*	$248,000	75%
Mental Health Services	$35,000	$64,000	84%
Public Health Services	$57,000	$82,000	45%
Incarceration	$303,000	$391,000	29%
Total	$537,000	$785,000	46%

* Third Quarter 2005
Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Table 1 shows that health, mental health and public health costs increased significantly between 2005 and 2007. Incarceration costs tend to be the highest of all the services examined, but they also tend to increase over time at smaller rate. Total costs for all services over the two-year period increased by 46 percent.

Table 2 - Number of Service Users in GRHSCM Project before the Implementation of the Program, 2005 and 2007

Service	Service Users The Total Number-2005 First Quarter	Service -2007 First Quarter	Percent Change
Health Services	126*	172	37%
Mental Health Services	54	90	67%
Public Health Services	37	59	59%
Incarceration	84	88	5%

*Third Quarter 2005
Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Table 2 shows the number of participants in the 371 person sample who received services prior to the implementation of the program, between the first quarter of 2005 and the first quarter of 2007. It should be noted that while the number of incarcerated persons increased by 5 percent over the two-year period, the number of persons receiving health, mental health and public health services increased more significantly.

Cost Increases

Cost increases can occur due to increases in the unit costs for services or due to an increase in the number of persons requiring the services. In looking at incarceration costs, RES assumed that cost increases between 2008 and 2012 would occur due to higher unit costs incurred by the same number of people (most likely due to higher costs for medical and jail services). The annual cost increase for incarceration services is estimated to be 10 percent over the same five-year period. The total costs of health, mental health, and public health services are projected to increase over this period due to a higher share of the population needing services. However, since the group size is fixed the number of people receiving these services would increase at a diminishing rate. RES assumes that the demand for health services (which had previously almost increased by 75 percent in two years), mental health services and public health services would have increased by five percent annually during the following five years. It should be noted that this is a relatively conservative assumption that will generate equally conservative projections.

Table 3 projects increases in the number of program participants that will receive health, mental health, public health and incarceration services over the five-year period between 2008 and 2012. It is crucial to reemphasize that these projections are made with the assumption that the General Relief Housing Subsidy and Case Management Project would not be in place. If the number of participants receiving these County services is assumed to increase by five percent annually, the projected size of this population would still be lower by the end of the fifth year than the number of participants who received those services at least once during the period between 2005 and 2007. The match rate for the 2005 to 2007 period is also shown in the table in order to illustrate the percentage of participants receiving these services at least once. Even in the absence of the General Relief Housing Subsidy and Case Management Project, then, RES would expect the number of projected service receivers between 2008 and 2012 to be below the total number of service receivers between 2005 and 2007.

Table 3 - Projected Quarterly Number of GRHSCM Project Service Users, 2008 to 2012

Service	2005-2007	2007	2008	2009	2010	2011	2012	Match Rate
Health	**256**	172	181	190	199	209	220	69%
Mental Health	**125**	90	95	99	104	109	115	34%
Public Health	**108**	59	62	65	68	72	75	29%
Incarceration	**214**	88	88	88	88	88	88	58%

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

It is assumed here that unit costs for health, mental health and public health services will increase annually by 5 percent between 2008 and 2012. This is based on the Bureau of Labor Statistics' U.S. City Average Medical Services Cost Increases figures.[7] Table 4 shows the projected cost for all four services considered here, as well as the total projected costs over the next five years. These costs are annualized and derived

by applying the annual rate of cost increases discussed above.[8] The total cost for all four services is projected to increase by 62 percent over the next five years in the absence of the General Relief Housing Subsidy program.

Table 4 – Projected Annual Service Costs for 2008-2012 in the absence of the GRHSCM Project

Service	2007	2008	2009	2010	2011	2012
Health	$992,000	$1,093,680	$1,205,782	$1,329,375	$1,465,636	$1,615,863
Mental Health	$256,000	$282,240	$311,170	$343,064	$378,229	$416,997
Public Health	$328,000	$361,620	$398,686	$439,551	$484,605	$534,277
Incarceration	$1,564,000	$1,720,400	$1,892,440	$2,081,684	$2,289,852	$2,518,838
Total Costs	$3,140,000	$3,457,940	$3,808,078	$4,193,675	$4,618,322	$5,085,976

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Costs Associated with the GR Housing Subsidy and Case Management Project

As noted earlier, there is currently no cost savings data available for the HPI's General Relief Housing Subsidy and Case Management Project. For this reason, RES attempted to generate some provisional cost savings figures by making extrapolations based on information offered in a 2002 study by Culhane, Metraux and Hadley analyzing public investment in the New York/New York housing program, which provided supportive housing for homeless persons with severe mental disabilities in New York during the 1990s.[9] Culhane et al. employed a quasi-experimental design consisting of experimental and a control groups to report that homeless individuals who received supportive services achieved significant declines in shelter use, hospitalizations, lengths of stay per hospitalization, and time incarcerated. The authors reported that investing in supportive housing for homeless persons with severe mental disabilities resulted in a decrease in service costs of $16,282 per housing unit per year.

Insofar as RES' estimates are based on research using samples of formerly homeless persons who have been housed in another jurisdiction, caution should be exercised in interpreting the results for Los Angeles County. The comparability of the New York/New York program and Los Angeles County's General Relief Housing Subsidy and Case Management Pilot Project is imperfect.

In applying the cost savings factors reported in the New York study to model cost savings projections for Los Angeles, RES opted for using rate of service changes adjusted by the cases in the control group. Thus the cost decline proportions adapted from the New York study are more reliable because they best reflect what would have occurred in New York in the absence of a program intervention. The costs savings simulations presented in this report in Scenarios 1 and 2 were prepared assuming a more conservative decline than the services cost declines reported in the Culhane et al. study.

Furthermore, two of the three sub-groups comprising the 900 revolving slots in the Los Angeles County Project – namely, chronically homeless GR participants and

participants eligible for SSI benefits – are comparable to the types of participants served by the New York/New York program. This overlap between the populations served by each program provides a provisional basis for using the cost savings factors presented in the Culhane et al. study.

Two Scenarios

Insofar as the population studied by Culhane et al. was situated at a different time and in a different locality than the population considered here, RES simulated two scenarios in order to make the necessary extrapolations. The first scenario (Scenario 1) closely adopts the New York study and assumes that mental health and public health services would drop by 25 percent during the first two years after implementation of the GR Housing Subsidy and Case Management Project, and then drop by 15 percent over the next three years (after adjusting for a 5 percent inflation rate for medical services). Health service costs were assumed to drop by 12 percent every year and incarceration costs were assumed here to drop by 30 percent in the first two years and then by 20 percent annually thereafter. RES further assumed that returns from service reductions will diminish over time so that costs are reduced at a smaller rate as time progresses. Total costs are projected to drop by 54 percent after implementation of the General Relief Housing Subsidy program. The results of Scenario 1 are tabulated in Table 5.

Table 5 – Projected Annual Service Costs for 2008-2012 after Implementation of the GRHSCM Project — Scenario 1

Service	2007	2008	2009	2010	2011	2012
Health	$992,000	$872,960	$768,204	$676,020	$594,898	$523,510
Mental Health	$256,000	$192,000	$144,000	$122,400	$104,040	$88,434
Public Health	$328,000	$246,000	$184,500	$156,825	$133,301	$113,306
Incarceration	$1,564,000	$1,094,800	$766,360	$613,088	$490,470	$392,376
Total Costs	$3,140,000	$2,405,760	$1,863,065	$1,568,333	$1,322,709	$1,117,626

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

The second scenario (Scenario 2) is more conservative and assumes that mental health and public health services will drop by 15 percent during the first two years and then drop by 10 percent annually during the next three years (after adjusting for a 5 percent annual inflation rate for medical services). Health service costs were assumed to drop by 10 percent every year, and incarceration costs were assumed to drop by 20 percent in the first two years, and then by 10 percent annually thereafter. Total costs for the population in question under Scenario 2 are projected to drop by 39 percent over the five years after implementation of the General Relief Housing Subsidy program. The results of this second scenario are tabulated in Table 6.

Table 6 – Projected Annual Service Costs for 2008-2012 after the Implementation of the GRHSCM Project — Scenario 2

Service	2007	2008	2009	2010	2011	2012
Health	$992,000	$892,800	$803,520	$723,168	$650,851	$585,766
Mental Health	$256,000	$217,600	$184,960	$166,464	$149,818	$134,836
Public Health	$328,000	$278,800	$236,980	$213,282	$191,954	$172,758
Incarceration	$1,564,000	$1,251,200	$1,000,960	$900,864	$810,778	$729,700
Total Costs	$3,140,000	$2,640,400	$2,226,420	$2,003,778	$1,803,400	$1,623,060

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Cost Savings Created with the Housing Subsidy Program

The total annual cost for the General Relief Housing Subsidy and Case Management Project is $4.2 million. This yields an annual per-person cost of $4,667. Therefore, since RES studied a total of 371 participants, service costs for the entire sample would be $1,731,333.

The next step in the analysis of cost savings is to add these annual numbers to the totals for each scenario (tabulated in Table 5 and Table 6), and then compare the sums to the projected annual service costs that would be incurred over five years in the absence of the General Relief Housing Subsidy program (tabulated in Table 4). The results of this comparison are tabulated in Table 7.

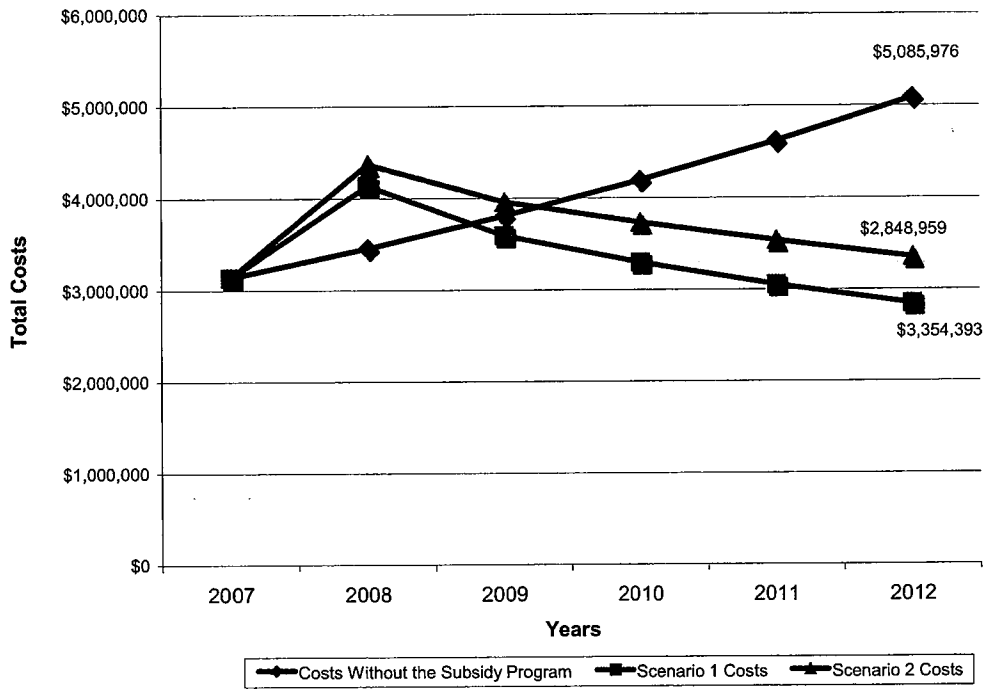
Table 7 – Projected Annual Service Cost Savings for 2008-2012 after the Implementation of the Housing Subsidy Program

	2007	2008	2009	2010	2011	2012
Costs, no subsidy program in place	$3,140,000	$3,457,940	$3,808,078	$4,193,675	$4,618,322	$5,085,976
Costs, Scenario 1	$3,140,000	$4,137,093	$3,594,398	$3,299,666	$3,054,042	$2,848,959
Costs, Scenario 2	$3,140,000	$4,371,733	$3,957,753	$3,735,111	$3,534,733	$3,354,393
Cost Savings, Scenario 1	$0	-$679,153	$213,680	$894,009	$1,564,280	$2,237,016
Cost Savings, Scenario 2	$0	-$913,793	-$149,675	$458,564	$1,083,589	$1,731,582

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

The figures provided in Table 7 indicate that, for both scenarios considered earlier, net savings would be generated over time that could be reinvested in the General Relief Housing Subsidy and Case Management Project. By the third year, the project would save between $460,000 and $895,000 in costs for the 371 participants in the sample, and these savings would reach between $1.7 million and $2.2 million by the fifth year, depending on which scenario is considered. Figure 1 shows the break-even points for each scenario with a time plot of the numbers given in Table 7.

Figure 1. Projected Annual Service Costs of the GRHSCM Project, 2008 - 2012



Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

If the total figures in Table 7 are divided by 371, the per-person annual service costs in the absence of the GR Housing Subsidy and Case Management Project, as shown in Table 8, are projected to increase from $8,500 in 2007 to $13,700 by 2012. On the other hand, service and program costs per person would be between $7,700 and $9,000 with the subsidy project in place. Costs per person and cost offsets per person are shown in Table 8, which indicates that cost offsets per person that are negative in the first year reach between $4,700 and $6,000 by the fifth year.

Table 8 – Projected Annual Service Cost per Person and Cost Offsets per Persons for 2008-2012 after Implementation of the GRHSCM Project

	2007	2008	2009	2010	2011	2012
Costs, no subsidy program in place	$8,464	$9,321	$10,264	$11,304	$12,448	$13,709
Costs, Scenario 1	$8,464	$11,151	$9,688	$8,894	$8,232	$7,679
Costs, Scenario 2	$8,464	$11,784	$10,668	$10,068	$9,528	$9,041
Cost Savings/ Person, Scenario 1	$0	-$1,831	$576	$2,410	$4,216	$6,030
Cost Savings/ Person, Scenario 2	$0	-$2,463	$403	$1,236	$2,921	$4,667

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

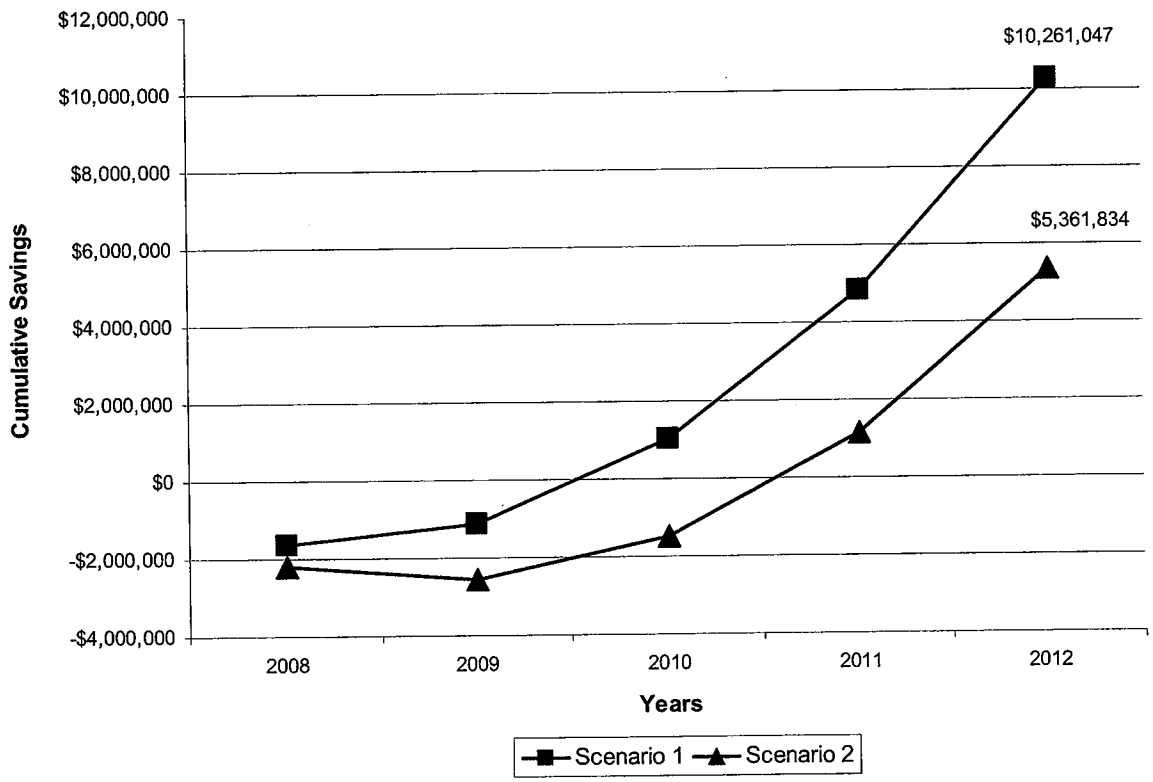
Table 9 and Figure 2 indicate that these savings would, in turn, generate significant *cumulative* savings, shown assuming a revolving population size of 900, which is the total number of slots in the program.

Table 9 – Projected Cumulative Savings for 900 GRHSCM Project Participants for Scenario 1 and Scenario 2 over 5 Years

	2008	2009	2010	2011	2012
Cumulative Cost Savings—Scenario 1	-$1,647,541	-$1,129,180	$1,039,574	$4,834,323	$10,261,047
Cumulative Cost Savings—Scenario 2	-$2,216,749	-$2,579,842	-$1,467,423	$1,161,229	$5,361,834

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Figure 2. Projected Cumulative Savings, 2008-2012, after the Implementation of the GRHSCM Project



Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

The numbers given in Table 9 and Figure 2 indicate that, for revolving population of 900 persons over 5 years the cumulative savings created with the General Relief Housing Subsidy and Case Management Project in place would be between $5.4 million and $10.3 million.

Conclusion

This report has been written to comply with the Board's request for the development of a methodology to assess the cost savings that would be created through continued funding of the County's HPI programs. RES' findings make a provisional case for the financially beneficial consequences of spending strategically in the area of homelessness. While the report applies its methodology to provide estimates as to the savings the GR Housing Subsidy and Case Management Project would generate over a five-year period, the methodology can additionally be applied to other programs falling under the HPI and serve as the framework for estimating their cost effectiveness.

APPENDIX A

Calculation of Service Costs

Department of Mental Health (DMH)

Administrative records for mental health services include service costs for each person in the database. All mental health costs are calculated by adding together service cost numbers for each program participant by month and year of service.

Department of Health Services (DHS)

Administrative records for health services do not include service-level costs. However, DHS provided a table showing daily costs by fiscal year, facility and service type for outpatient, inpatient and emergency services. Costs are calculated based on these tables and multiplying unit costs by facility, service type and fiscal year to generate total costs per program participant by month and year of service. RES also deleted records with suspected errors (inpatient and emergency room visits with long durations) and converted all outpatient records to a one-day service length.

Department of Public Health (DPH)

Administrative records for public health services do not include service-level costs. DPH provided total costs for GR participants by fiscal year and service type. In order to calculate average costs by service type per person per day, RES estimated the average length of services for each service type by each fiscal year. Average service lengths are were multiplied by the total number of clients by service type to estimate total days of services for each service type. Finally, RES calculated the daily average costs by dividing total costs by total days of services.

Department of the Sheriff

Administrative records from the Sheriff Department for incarceration related services do not include service-level costs. The Sheriff provided a table of daily costs for booking, maintenance and medical services by fiscal year. The Sheriff also provided facility/module codes to identify mental and medical services. RES applied booking costs for each booking and applied medical costs if the module was medically related. Regular maintenance costs were applied if the module was not medically related.

APPENDIX B

County of Los Angeles
Department of Public Social Services

Philip L. Browning
Director

GENERAL RELIEF (GR) HOUSING SUBSIDY AND CASE MANAGEMENT PROJECT FACT SHEET

The GR Housing Subsidy and Case Management Project is designed to assist individuals who have been homeless and was modeled after San Francisco's "Care Not Cash" program, as well as DPSS services for CalWORKs (CW) homeless families. The objective of the Project is to test whether assisting the homeless GR population with a rent subsidy and coordinating access to other necessary supportive services reduces homelessness, increases employment, and/or increases receipt of Supplemental Security Income (SSI) benefits. Implementation of the Housing Subsidy and Case Management Project was effective July 25, 2006.

The Project will serve a total of 900 GR applicants/participants on a "first come, first serve" basis. A maximum of 300 Project participants will be categorized for each of the following three populations:
1) Employable GROW participants; 2) GR participants who are potentially eligible for SSI benefits; and 3) the chronically homeless. As participants disengage from the Project, new Project participants may repopulate available slots. Project participants may be assigned a slot up to a ***maximum of three occurrences.***

PARTICIPANT PROJECT GUIDELINES

- Participation in the Project is voluntary.
- The Project participant's portion of the GR grant attributable to rent ($136) will convert to a Direct Rent process, paid directly to the landlord.
- For a shared housing situation, the Project participant's portion of the GR grant attributable to rent ($115) will convert to a Direct Rent process, paid directly to the landlord.
- Rent subsidies of up to $300/month will be paid directly to the landlord, via vendor mail.
- Each GR Housing Case Manager (GRHCM) will oversee approximately 75 Project participant slots (25 slots from each of the three targeted Project populations).
- Non-cooperation, as described in this fact sheet may disengage the Project participant from the Project; however, such actions may not necessarily terminate the GR case.

Move-In Assistance Funds
Guidelines to assist Project participants with "once-in-a-lifetime" Move-In Assistance Funds to secure permanent housing were developed as an enhancement to the Project. It has been determined that assisting with move-in funds, up to $500, will enhance the success of the Project by facilitating access to permanent housing for Project participants. Move-in Assistance Funds will include: 1) last month's rent; 2) security deposits; 3) other required move-in costs/deposits (e.g., key deposits, etc.);

Move-In Assistance Funds (Continued)
4) Utility deposits/turn on fees; 5) moving expenses (including truck rental); 6) overdue storage fees at a legitimate storage facility; 7) appliances (i.e., refrigerator and/or stove only), if the rental lacks the appliance; and 8) any required miscellaneous expenses.

The start-up savings associated with the Project's implementation will be utilized to fund requested move-in costs; therefore, this enhancement will not increase the cost of the Project. Implementation was effective February 2007.

Project Expansion to Include Approved GR Participants
The Project's expansion to include approved homeless GR participants was based on the Project's low referral numbers within the first seven months of implementation. As a result, the expansion is expected to generate higher referral numbers to subsequently fill all 900 Project slots. Implementation was effective February 2007.

PROJECT DISTRICTS
Districts selected to implement the Project service the largest populations within each Supervisorial District. The six Project Districts include: 1) Civic Center; 2) Metro Special; 3) Southwest Special; 4) South Special; 5) Rancho Park; and 6) Lancaster.

HOUSING LOCATOR (HL) STAFF
Two dedicated HL staff, contracted by the Weingart Center Association, canvass and develop a monthly database of 200 legitimate commercial housing rental properties (sub-standard housing is not allowed) throughout Los Angeles County to provide to GRHCMs as housing stock for homeless Project participants to rent. In addition, HL staff will develop tools to assist GRHCMs with educating and preparing "hard to rent" Project participants to move into rental housing.

PROJECT EVALUATION
Evaluation of data obtained from Project participants will be conducted periodically throughout the course of the Project. The basis for evaluating Project outcomes and corresponding data will determine the relationship between: 1) housing and securing/maintaining employment; 2) housing and maintaining medical and/or mental treatment services to obtain higher public assistance benefits (e.g., SSI benefits, etc.); and 3) housing and the treatment/supportive services resistant (chronically homeless) population.

FUNDING
The projected cost associated with the provision of a **$300** monthly rent subsidy for approximately **900 GR participants** is **$3,240,000 annually**. The projected annual cost for **12 GRHCMs is $612,000. The total projected annual cost of the Project is $4,052,000.** Included in the Project's proposed annual cost is **$200,000 for the HL staff.**

GR HS & CM Project Fact Sheet, 9-20-07

Endnotes

[1] We would like to thank Dennis Culhane, Professor at the University of Pennsylvania's School of Social Policy and Practice, for providing valuable consultation that helped RES in the preparation of this brief. Gary Blasi, Professor of Law at the University of California, Los Angeles, also deserves special mention for the useful feedback he provided to RES. We would also like to thank Phil Ansell from the Department of Public Social Services, Irene Dyer from the Department of Health Services, Linda Dyer from the Department of Public Health, Donna Quintana form the Department of Public Health, John Horton, Professor of Sociology at the University of California, Los Angeles, and Paul Tepper of the Weingart Center Association. Each offered us useful feedback on earlier versions of this brief.

[2] The Care not Cash program implemented by San Francisco's Human Services Agency, provides housing and shelter support to indigent adults who participate in the County Adults Assistance Programs (CAAP). CAAP covers the following programs: (1) General Assistance; (2) Personal Assisted Employment program; (3) Cash Assistance Linked to Medi-Cal program, and (4) Supplemental Security Income Pending program. The population enrolled in the Care not Cash program is a subset of CAAP and it is comprised of formerly homeless CAAP clients who were placed in the Housing First Program SRO units, and Homeless CAAP clients. (See: Human Services Agency, *Care not Cash is Achieving its Goals.* City and County of San Francisco, Office of the Controller, City Services Auditor, April 30, 2008).

[3] DPSS' General Relief Program is a mandatory, County-funded program that provides temporary cash aid of last resort to indigent adults and certain sponsored legal immigrant families who are not eligible for other State or federal programs.

[4] The eight departments having their administrative records for GR participants linked for the Adult Linkages Project are the Departments of Public Social Services (DPSS), Health Services (DHS), Mental Health (DMH), Children and Family Services (DCFS), Public Health (DPH), Community and Senior Services (CSS), Probation and the Sheriff.

[5] Culhane, Dennis P., Stephen Metraux and Tevor Hadley. *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing.* In Housing Policy Debate, Volume 13, Issue 1. Fannie Mae Foundation, 2002.

[6] DHS cost data for the first quarter of 2005 was incomplete at the time RES was compiling data for this study. For this reason, the 2005 cost figures for DHS provided in Table 1 are for the third quarter of 2005.

[7] U.S. Department of Labor, Bureau of Labor Statistics. *Consumer Price Indexes.*

[8] For example, for 2008 the cost for mental health services is calculated as follows:

Quarterly total costs in 2007 ($64,000) is divided by the number of service receivers during that quarter (90) to derive the unit cost of $711. Then, in 2008, the unit costs are increased by 5% to $747. Then the 2008 unit costs are multiplied by the 95 persons shown in Table 3 for 2008 projected demand. Then the computed 2008 quarterly costs ($70,560) are multiplied by 4 to get the $282,240 shown in Table 4.

[9] Culhane, Dennis P., Stephen Metraux and Tevor Hadley. *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing.* In Housing Policy Debate, Volume 13, Issue 1. Fannie Mae Foundation, 2002.