

# Pay for Success Feasibility Study

U.S. Department of Housing and Urban Development (HUD)

U.S. Department of Justice (DOJ)

Permanent Supportive Housing Demonstration Project in

Municipality of Anchorage and Matanuska-Susitna Borough, Alaska

Prepared by Agnew::Beck Consulting, Inc.

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- Alaska Housing Finance Corporation
- Alaska Mental Health Trust Authority
- Alaska Native Tribal Health Consortium and Alaska Native Medical Center
- Anchorage Coalition to End Homelessness
- Catholic Social Services
- Cook Inlet Housing Authority
- Daybreak, Inc.
- Institute for Community Alliances
- Mat Su Health Foundation
- Municipality of Anchorage
- NPC Research
- Providence Health and Services Alaska
- Rasmuson Foundation
- RurAL CAP
- Social Finance, Inc.
- Southcentral Foundation
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- U.S. Department of Justice
- United Way of Anchorage
- University of Alaska, Institute for Circumpolar Health Studies
- Urban Institute

# Executive Summary

## ***The Status Quo: Those in crisis are cycling through prison and are high users of emergency services.***

Based on client level data from the State of Alaska Department of Corrections (DOC) and the Anchorage-based homeless data systems in Anchorage over the past three years, there have been roughly 330 individuals with a pattern of homelessness, frequent use of corrections and an estimated high need for social and health services.<sup>1</sup> These members of our community are predominantly male (76 percent), Alaska Native (56 percent) or white (29 percent), do not have children (93 percent), and are on average 37 years old.

On a yearly basis, the average individual in this group spends 19 days in emergency shelters, 53 days in jail, and 14 nights at the Anchorage Safety Center. They visit the emergency room around eight times per year, generate 10 police calls per year, and require on average two EMS transfers each year. This costs the Municipality of Anchorage, State, and medical sectors \$47,000 per person per year, which does not include the many intangible costs of the current system for Anchorage's residents and businesses, public safety professionals, and service providers. Members of our community are currently being housed in State-funded prisons, emergency departments and crisis shelters, with little or no access to housing and services that will help them to access a safer and more healthy life.

## ***The Future: Those in crisis access Permanent Supportive Housing funded from Cost Avoidance.***

There is an alternative. Permanent supportive housing is an evidence-based intervention proven in more than 15 cities across the U.S., including Anchorage and Fairbanks, to reduce utilization of crisis services and achieve more desirable outcomes for this population. Through this intervention, housing and support services, including case management and behavioral health services, are available when an individual moves into permanent housing.

Once a higher-needs homeless individual moves into permanent supportive housing, he or she may continue to use crisis and emergency services, but not at the same level as prior to the intervention.<sup>2</sup> Evidence also shows that individuals tend to use behavioral health and outpatient services more frequently once they are housed, encouraging long-term stability. Communities find that it still costs money to provide permanent supportive housing, even though crisis service utilization declines.

<sup>1</sup> Based on an extrapolation of individuals with a Vulnerability Index-Service Prioritization Decision Assistance Tool (VI-SPDAT) score of 9 or higher.

<sup>2</sup> See Appendix A for a bibliography of permanent supportive housing case studies.

## **Study Methodology**

A critical source of data used to forecast post-intervention service utilization is an evaluation by the Institute for Circumpolar Health Studies (ICHS) of two permanent supportive housing projects in Anchorage and Fairbanks.

This study, entitled *Evaluating Housing First Programs in Alaska and Fairbanks, Alaska: Final Report* was completed in March 2015 by ICHS for the Alaska Housing Finance Corporation and the Alaska Mental Health Trust Authority, and relied on a release of information for residents of Karluk Manor operated by Rural Alaska Community Action Program (RurAL CAP) in Anchorage and Housing First operated by Tanana Chiefs Conference (TCC) in Fairbanks.

By using individual data obtained through a release of information, ICHS compared medical records and service use for the year prior to the study population entering permanent supportive housing with two years after being housed. For all services except inpatient hospital and use of corrections, the reduced utilization of services from the ICHS study for a combination of Fairbanks and Anchorage were applied as assumptions in this study.

National literature on permanent supportive housing was used to estimate the reduction in utilization for inpatient hospital and corrections because of differences between the ICHS target population and the target population identified in this study (Appendix A).

For example, an individual in permanent supportive housing in Anchorage costs approximately \$48,000 per year, factoring in the cost of crisis and emergency services at reduced utilization rates, increased outpatient utilization, and the operating cost of permanent supportive housing. This is very close to the \$47,000 per person per year that it costs to serve individuals under the status quo in Anchorage where they remain homeless, cycle through corrections, and are frequent users of emergency services. When permanent supportive housing is implemented, positive outcomes for people in this population and for our community are realized, as resources are shifted toward other needs. In the end, service providers realize substantial cost avoidance from reduced service utilization that can be redirected to fund the intervention.

Figure 1 shows the estimated cost avoidance per person per year across four sectors: nonprofits, municipal government, state government, and medical payers including federal, state, private insurance and costs absorbed by medical providers from services to non-resourced individuals. The project team estimated pre- and post-intervention utilization and multiplied utilization by a standard unit cost held constant over time to develop estimated current costs and potential cost avoidance for each service.

Figure 1. Summary of Status Quo and Post Intervention Cost Avoidance

<b>Sector</b>	<b>Status Quo: Average Cost Per Person Per Year</b>	<b>Post Intervention: Average Cost Per Person Per Year</b>	<b>Annual Cost Avoidance Per Year</b>	<b>% Change from Status Quo</b>
Nonprofit (shelter)	\$424	\$5	(\$419)	-98%
Municipal (police, fire, Anchorage Safety Center)	\$5,469	\$2,895	(\$2,574)	-47%
State (prison)	\$8,277	\$2,679	(\$5,598)	-68%
Medical System/Payers (emergency, inpatient, and outpatient)	\$33,243	\$19,735	(\$13,508)	-41%
<b>TOTAL SERVICES COSTS</b>	<b>\$47,413</b>	<b>\$25,314</b>	<b>(\$22,099)</b>	<b>-47%</b>
Cost of Permanent Supportive Housing	n/a	<b>\$22,696</b>	n/a	
<b>TOTAL INTERVENTION COSTS</b>	<b>\$47,413</b>	<b>\$48,010</b>	<b>\$597</b>	<b>1%</b>

### **Pay for Success Model**

Pay for Success is a financing model being developed nationwide to fund evidence-based interventions. There are many variations of Pay for Success, but common themes include attracting private capital, using cost avoidance to help fund a social intervention such as housing, providing a return on the initial investment, and structuring payment models that require providers to achieve pre-determined outcomes. In 2016, the U.S. Department of Housing and Urban Development and the U.S. Department of Justice awarded United Way of Anchorage and its partners a multi-phase grant to assess the feasibility of Pay for Success, structure transactions with potential payers and investors, and provide success payments (or seed funding) to support a new program. This report shares the results of a feasibility study related to this Pay for Success intervention and its ability to sustainably fund permanent supportive housing in Anchorage and Mat-Su for the target population identified by the funding source, as described above.

### **Is a Pay for Success Model Feasible to Fund Permanent Supportive Housing?**

The study findings indicate that a Pay for Success model to fund permanent supportive housing in Anchorage and Mat-Su is feasible for the following reasons:

- **Permanent supportive housing works** for homeless populations with high needs. People who can access housing and the right services remain housed and have improved health outcomes over time.<sup>3</sup>
- **It costs the same to provide permanent supportive housing, but we achieve better outcomes.** Using Anchorage-based numbers, the cost of permanent supportive housing and service utilization after people are housed is roughly equal to the cost of funding the status quo. In other words, as a society, we can invest the same level of resources to achieve desired outcomes for our community.
- **The amount of cost avoidance due to decreased service utilization is substantial.** Individuals in Anchorage who cycle through corrections and the homeless system, if housed, will likely save the Municipality of Anchorage, the State of Alaska, and payers in the medical system a combined \$5.9 million annually due to reduced utilization of emergency and crisis services, even after accounting for increased utilization of outpatient medical services (Figure 2).
- **Cost avoidance is substantial enough to sustainably fund permanent supportive housing.** The amount of cost avoidance combined with new funding through Medicaid billing for case management and rent from tenants is more than enough to cover the gap in funding to sustainably fund permanent supportive housing for 269 individuals annually in Anchorage.

Figure 2. Annual Cost Avoidance for 269 Units of Permanent Supportive Housing

Sector	Annual Cost Avoidance for 269 units of Permanent Supportive Housing
Non-Profit: Emergency Shelter	\$100,000 annually
Municipal: Police, Fire, EMS, Anchorage Safety Center	\$690,000 annually
State: Prison	\$1,500,000 annually
Medical Payers: Federal, State, Insurance + Non-Resourced	\$3,600,000 annually
<b>TOTAL</b>	<b>\$5,900,000 annually</b>

### ***How much is needed for a sustainable permanent supportive housing program?***

As shown in Chapter 5, \$6.1 million annually is needed to operate 269 units of permanent supportive housing (approximately \$22,000 per unit). When sustainable and reliable funding sources are factored in, including \$1.5 million of rent income and Medicaid billing, 73 percent of the funds to sustainably operate permanent supportive housing are still needed.

Currently, Anchorage-based permanent supportive housing providers rely on multiple sources to cover this funding gap: Alaska Housing Finance Corporation (AHFC) Special Need Housing Grants (SNHG) for services, State of Alaska Department of Behavioral Health grants, and other grant sources for services. Sponsorship housing vouchers from AHFC are also provided to cover the full amount of rent after the tenant contribution is included. This funding is critical to covering the cost to operate and maintain housing facilities. However, in talking with stakeholders as part of this feasibility study, growing these grant programs and sponsorship vouchers proportional to the size of the target population is not practical at this time. As a result, the study proposes a contribution plan that aligns with the amount of cost avoidance each sector is expected to realize once the target population is housed in permanent supportive housing.

<sup>3</sup> “Permanent Supportive Housing: A Proven Solution to Homelessness,” The Technical Assistance Collaborative and the Consortium for Citizens with Disabilities (CCD) Housing Task Force, January 2003.

Figure 3 proposes how the Municipality of Anchorage, State of Alaska and local hospitals and payers for medical care could work together to fund permanent supportive housing. The remaining revenue to cover cost of permanent supportive housing would come from tenant rents and Medicaid billing. This table illustrates one example of how to align funding; potential investors and payers will further explore whether and how to use specific programs or funding allocations during the project’s transaction structuring phase.

Figure 3. Estimated Contributions by Payer for Demonstration Project

<b>Payer</b>	<b>Annual Amount</b>	<b>Notes</b>
<b>Municipality of Anchorage</b>		
Additional grant funds or other sources	\$215,000	Amount based on current CDBG and CSBG awards on a per unit basis.
Contribute Cost Avoidance	\$690,000	Amount based on anticipated MOA cost avoidance.
<b>Subtotal: Municipality of Anchorage</b>	<b>\$905,000</b>	
<b>State of Alaska</b>		
New Housing Sponsorship Vouchers	\$645,000	Amounts based on anticipated Department of Corrections cost avoidance.
New Special Needs Housing Grant for Operations	\$555,000	
New Department of Behavioral Health Grant Funds	\$305,000	
<b>Subtotal: State of Alaska</b>	<b>\$1,505,000</b>	
<b>Medical and Tribal Providers + Payers Reinvest Cost Avoidance</b>	<b>\$2,225,000</b>	<i>Amount based on medical cost avoidance; not all cost avoidance used.</i>
Foundations, Tribal Organizations, Local Sources, or Increased Medicaid Billing		If needed or as advance funding
<b>TOTAL CONTRIBUTIONS</b>	<b>\$4,635,000</b>	

### Feedback from Stakeholders

During April and May 2018, the project team held a series of smaller stakeholder meetings and a larger meeting on May 1, 2018 to share the findings from this feasibility study and hear feedback about the results and next steps. This feedback is summarized below and is being incorporated into the transaction structuring phase of the project as it proceeds.

- Skepticism around the use of cost avoidance.** Many stakeholders shared that cost avoidance is not actual revenue for new programs. Our systems have more demands than we currently have resources for and it will be difficult to reallocate cost avoidance toward this type of program. We talked with many stakeholders and potential outcome payers about this with the understanding that we readily acknowledge cost avoidance cannot easily be reallocated to new programs. We shared how the feasibility study demonstrates that the system can expend the same amount of funding to realize positive social outcomes related to homelessness and the amount of cost avoidance sets the stage to equitably

### Stakeholder Meetings

- Municipality of Anchorage
- Alaska Housing Finance Corporation
- Housing and Urban Development
- Providence Health and Services Alaska
- Alaska Native Tribal Health Consortium, Alaska Native Medical Center
- Cook Inlet Housing Authority
- Southcentral Foundation
- RurAL CAP
- State of Alaska, Department of Health and Social Services
- State of Alaska, Department of Corrections
- Large-format stakeholder meeting with ~80 attendees, Mountain View Library



share costs between sectors. We also shared that while cost avoidance is not easily translated into funds for new programs, at least in the earlier years, it can help organizations with long term fiscal planning by showing that over time cost avoidance means less growth in emergency services due to the target population.

- **Willingness to participate.** While many stakeholders expressed a skepticism related to the reallocation of cost avoidance to pay for permanent supportive housing given budget constraints, all stakeholders expressed a willingness to stay involved, identify solutions, and many expressed a willingness and/or interest in participating as funders. Stakeholders and potential outcomes payers want to be part of the solution and the idea that we could create a shared framework for funding permanent supportive housing resonated with people.
- **Medical payers, not the medical system.** When cost avoidance is shown for the medical system, it actually accrues to medical payers, including the federal share of Medicaid, the federally funded Medicare program, the State through its share of Medicaid, private insurers, and medical providers through uncompensated care. Conversations with health care providers led us to calculate an initial estimate of the cost avoidance by medical payer to apportion cost avoidance to the federal, state and other entities based on a possible payer mix for this population. These charts are included in the report.
- **Limited capacity.** There is limited capacity in the existing behavioral health system in Anchorage and Alaska. How do we expand to serve more individuals without the labor supply and capacity to do so? The funding needs to include a way to build capacity amongst behavioral health and other supportive services providers.
- **Explore multiple options for housing vouchers.** There is more demand for existing housing voucher programs than there is current supply of vouchers. Identify other forms of housing vouchers that could be funded with other resources.
- **Need to understand outcomes better.** Stakeholders asked a lot of questions around how to integrate outcomes into the financing model. For example, they wondered how to clearly attribute outcomes or impact to the pay for success project versus other interventions that are being considered.
- **Governance.** Stakeholders questioned who or which entity would govern an expansion of permanent supportive housing and a shared funding pool. Funders will require a clear answer to this question to ensure outcomes are achieved.

### ***What are the next steps?***

Pay for Success is often touted as a model to attract private sector funding and incorporate new ways to finance social programs. In the end, Pay for Success cannot on its own generate unlimited resources to help us better serve our communities. Instead, Pay for Success provides a framework for groups to work collaboratively toward an evidence-based outcome, and share in the responsibility for funding to achieve this desired outcome. A sustainable permanent supportive housing program requires paying for case managers, behavioral health services, and housing operations. One way to cover costs is for potential payers, such as the Municipality of Anchorage, the Department of Corrections, and/or the medical providers and payers, to redirect anticipated cost avoidance from current programs to permanent supportive housing. However, public agencies, medical providers and nonprofits have enormous demands on their limited resources. The ability to redirect tomorrow's cost savings to pay for case managers and housing maintenance today is difficult. Some options for turning cost avoidance into a sustainable funding program for permanent supportive housing in Anchorage are listed on the following page.

1. **Invite local funders, including foundations and businesses, to capitalize a permanent supportive housing fund** in an amount equal to the cost avoidance necessary for a sustainable permanent supportive housing program (estimated to be \$4.4 million annually). Plan to provide annual funding for at least three years.
2. **Create opportunities for outcome payers** (State of Alaska, Municipality of Anchorage, and entities in the medical system) **to assume responsibility for annual contributions to the permanent supportive housing fund** in future years.
3. **Invite outcome payers to also pay into the permanent supportive housing program in year one** if funding and resources are available. For example, AHFC may be able to redirect some of their public housing funds toward sponsorship vouchers for new permanent supportive housing, particularly if other sectors are able to commit funding as well. Additionally, the medical providers and payers may see added benefits to reducing inpatient and emergency department utilization, such as improved employee morale and reduced turnover, and may be interested and able to pay into a permanent supportive housing fund in advance of realizing cost avoidance.
4. **Expand the pool of investors and advance funders to include businesses and property owners in the community.** Many entities have a vested interest in helping community members stay out of homelessness and live healthier lives. A contribution to a permanent supportive housing fund is an opportunity for local businesses and individuals to contribute to our community and maintain their existing investments in Anchorage or Mat Su. This could, for example, include a community-wide initiative to raise the mill rate to address homelessness and its impacts, strengthen parks and recreation system, revitalize neighborhoods through new housing, and improve schools.
5. **Use outcome rate cards to realize desired outcomes.** This new approach to funding is a complement to Pay for Success. An outcomes rate card establishes a menu of outcomes that a government seeks to “purchase” for a given issue and target population, and the amount it is willing to pay each time a given outcome is achieved. Outcomes rate cards scale solutions to society’s most pressing challenges by allowing government to identify priority outcomes for vulnerable citizens, and enabling service providers to achieve those outcomes through diverse interventions.<sup>4</sup> United Way of Anchorage was recently selected to receive technical assistance from the nonprofit organization Social Finance in developing an outcomes rate card for this project.
6. **Develop an agreed-on set of outcomes to measure success.** A simple measure would be length of time in housing, and this measure was selected as an outcome in the Massachusetts Pay for Success project, with a similar target population to the one explored in this study. Length of time housed, combined with a percentage reduction in recidivism to corrections, may be an appropriate mix of outcomes to monitor and evaluate over time.
7. **Develop a specific funding plan based on the findings in this feasibility study.** Based on the findings in this feasibility study, develop a funding plan that identifies outcome payers, investors and the overall specifics of how to fund permanent supportive housing for the target population.

### ***Additional Factors for Consideration***

**Tribal Medicaid Encounter Rate.** This feasibility study models permanent supportive housing using data from a non-tribal provider. A tribal provider has access to an encounter rate for Medicaid billing, which tends to result in a more sustainable operations model for behavioral health services. Additionally, the Federal

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<sup>4</sup> Social Finance Press Release, Alex Zaroulis, Director of Communications, March 26, 2018.

Medical Assistance Percentage (FMAP) for Medicaid is 100 percent federal funding for services to Indian Health Service (IHS) beneficiaries (American Indians and Alaska Natives) when provided by a tribal healthcare provider. This study recommends working with tribal providers to model supportive services using the tribal encounter rate for any Medicaid services that will be provided to IHS beneficiaries during the transaction structuring phase.

**Housing Development.** This feasibility study explores how communities can shift operating costs from crisis and emergency services to more sustainably fund permanent supportive housing. It assumes that the physical housing units are already available for individuals in need. Anchorage’s rental housing market is relatively loose as a result of Alaska’s current recession, with higher vacancy rates meaning that more landlords and property owners have available units. Should new housing be needed, the team anticipates utilizing a combination of Low Income Housing Tax Credits (at 4 percent and/or 9 percent depending on the project), AHFC SNHG funds, and other capital funds made available for housing projects. The team also anticipates that rehabilitation of existing buildings, including older hotels, could provide solutions to the capital needs. However, it is important to note that this study did not include an extensive feasibility assessment of housing development considerations or preparing units of permanent supportive housing.

**Mat-Su.** The scope of this feasibility study included Anchorage and the Matanuska-Susitna Borough (Mat-Su); however, Mat-Su is located in a different Continuum of Care (CoC) region than that of Anchorage, known as the Balance of State. Data on homelessness is collected by each CoC and reported out in these jurisdictions. Most of the matches between data sets identified are in the Anchorage area, due to limited availability of data in other regions. While the corrections data includes individuals who indicated their preference for release in either Anchorage or Mat-Su, the project team was not able to secure access to HMIS or other data on individuals experiencing homelessness in that region. Data on homelessness overall in both regions indicate that there is a smaller overall homeless population in Mat-Su, and individuals released from corrections who are also homeless are more likely to remain in Anchorage due to the concentration of services. For example, as shown in Figure 5 in Chapter 1, the 2017 Mat-Su Point-in-Time count indicates 81 homeless individuals versus 1,128 in Anchorage. Additionally, 6 percent (45 individuals) of those in the target population indicate that their home is in Mat-Su. Applying the distribution of high VI-SPDAT scores (43 percent) to the 45 individuals, it is likely that at least 19 people or 16 beds of permanent supportive housing are needed in Mat-Su. To better understand the need in Mat-Su when the intervention is developed, the project team recommends securing access to the region’s HMIS data during the transaction structuring phase.

**Coordinated Set of Strategies.** As described in Chapter 1, increasing the number of permanent supportive housing beds is one part of a community-wide solution to reaching “functional zero” for homelessness in Anchorage and Mat-Su.<sup>5</sup> Continued collaboration and a focus on how multiple entities and sectors help solve this problem is needed. Ongoing implementation and improvement of the Coordinated Entry system is necessary. Additionally, the Youth Homelessness Demonstration Program currently underway in Anchorage, and an equivalent project proposed in the Balance of State, is critical to provide workable solutions for youth and young adults. A partnership between private landlords, service providers, foundations, and the Municipality to implement Pathways to Independence helps provide rapid re-housing to assist those with lower-level needs access housing quickly and efficiently. All these initiatives are critical to achieve the collective vision to make homelessness a rare, brief and a one-time experience for Alaskans.

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<sup>5</sup> University of Calgary School of Public Policy (SPP), Canadian Observatory on Homelessness (COH), Canadian Alliance to End Homelessness (CAEH), Definition of Functional Zero, 2017, <http://homelesshub.ca/endinghomelessness> accessed April 2018.

# I. Introduction and Context

## What is Pay for Success?

Pay for Success, also known as **social impact investing**, is a public-private financing model that connects funders, service providers, and governments, or other entities currently experiencing high costs and/or inefficient use of resources, to address a specific population in the community. Examples include individuals with high rates of recidivism to corrections, patterns of homelessness, use of emergency services, and/or high utilization of emergency or hospital medical care. Pay for Success aims to achieve both positive fiscal and social outcomes for a community.

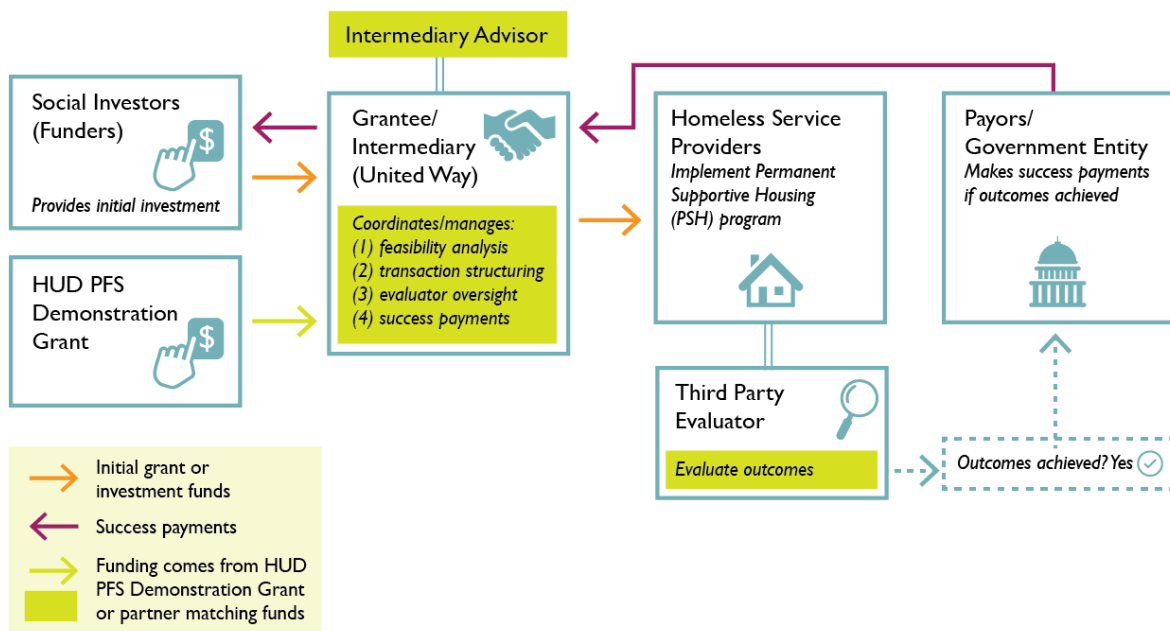
### How Does Pay for Success Work?

The Pay for Success model is a new way to fund effective interventions, with a financial incentive for funders to receive a return if outcomes are achieved. It is an emerging model being tested around the country to address and redirect utilization of expensive or crisis-level public services to fund lower-cost, preventive services, in areas such as early education, housing to address homelessness, and recidivism reduction. Pay for Success attracts private funders and impact investors to make investments for a social purpose and receive a return when the intervention produces savings, cost avoidance, or more effective use of funds for the payer.

- **Government** (or other payer) identifies a social issue with inefficient outcomes under the status quo.
- **Social Investors** like foundations, banks, businesses and others provide up front capital to a social service provider for a specific intervention to achieve identified outcomes.
- **Service Providers** deliver the services and reach or exceed predetermined outcomes for success.
- **Evaluators** measure and monitor outcomes to ensure impact is achieved.
- **Government / Payers** repays private funder’s initial investments only if outcomes are achieved.

Figure 4 illustrates the Pay for Success model, using the specific roles of the Alaska demonstration project.

Figure 4. Pay for Success Permanent Supportive Housing, Alaska Demonstration Project

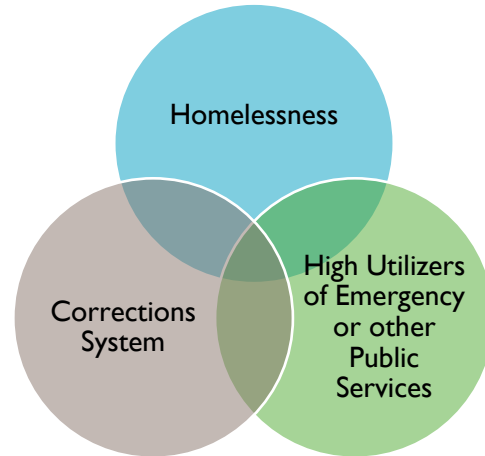


Source: Agnew::Beck Consulting

## Alaska Pay for Success Demonstration Project

In 2016, United Way of Anchorage, in collaboration with its partners, received a jointly-funded grant from the U.S. Department of Housing and Urban Development (HUD) and Department of Justice (DOJ) for a demonstration project in Anchorage and Mat-Su to sustainably fund permanent supportive housing for individuals with frequent involvement in the corrections system, a pattern of homelessness, and potentially high utilizers of emergency and public services.

Based on the findings of this feasibility study, the project team proposes funding 269 units of permanent supportive housing to serve approximately 330 individuals in the target population.



## Homelessness and Recidivism to Corrections

### Number of People Experiencing Homelessness

Many communities nationwide conduct annual counts of the homeless population, including an overnight count in January to capture a broad snapshot of the core population. These enumerations, known as “Point in Time Counts,” are organized by each community or Continuum of Care (CoC) coalition, conducted with groups of volunteers who seek out homeless individuals throughout the community, make contact to gather demographic information, and refer people to services if they are interested. A total count of the homeless population, as well as information about specific groups (veterans, young adults, families with children, chronic homeless), is reported for each area and aggregated at the state and national level. The Point in Time (PIT) count tracks the number of people who are sheltered but not permanently housed (at an emergency shelter or in a transitional housing program), as well as those who are living in places not intended for human habitation, including outdoors in a camp or park, or in a non-residential building or vehicle. Figure 5 summarizes PIT counts for Anchorage, Mat-Su, and comparable metropolitan areas.

Figure 5. Point in Time (PIT) counts for Anchorage, Mat-Su, and Balance of State, Compared to Western U.S. Cities

Continuum of Care (CoC) Area	Total Population (2016)	Homeless Populations (2017)						Total Homeless per 10,000
		Total Homeless Population	Individual Adults (Age 25+)	Families with Children	Population in Families with Children	Unaccompanied Youth (Up to Age 24)	Veterans	
Municipality of Anchorage	299,037	1,128	733	87	280	115	69	37.7
Alaska Balance of State	440,791	717	499	78	211	47	55	16.3
Mat-Su Borough	101,095	81	not available	not available	not available	12	3	8.0
State of Alaska Total	739,828	1,845	1,232	165	491	162	124	24.9
<i>Comparisons</i>								
U.S.	324,118,787	549,928	317,248	61,265	194,716	37,964	39,471	17.0
Multnomah County (Portland, OR)	799,766	4,177	3,216	216	657	300	446	52.2
Salt Lake County (UT)	1,121,354	2,047	1,237	198	700	110	197	18.3
Ada County (Boise, ID)	444,028	833	619	46	162	52	124	18.8
Spokane County, WA	499,072	1,090	713	103	299	71	118	21.8
Denver Metro CoC (CO)	3,117,539	5,116	2,347	439	1,464	395	569	16.4

Sources: U.S. Census (population estimates), AKDOLWD (Alaska population estimate)

HUD Exchange, Point in Time Counts reported for Continuum of Care areas in selected cities

In Alaska, there are two recognized Continuum of Care entities formed to address homelessness: Anchorage, with the same geographic boundaries as the Municipality of Anchorage, and Balance of State. The Anchorage Coalition to End Homelessness (ACEH) is the CoC entity in Anchorage; the Alaska Coalition on Housing and Homelessness represents the rest of the state, including several local coalitions that coordinate regularly with the state director. The Matanuska-Susitna (Mat-Su) Borough is part of the Balance of State. Data on homelessness is collected by each CoC and reported out in these jurisdictions.

### **Local and Statewide Efforts to Address Homelessness and Reduce Recidivism to Corrections**

The Pay for Success demonstration project is one of several concurrent efforts in Alaska to address homelessness and to work collectively towards the vision of **making homelessness a rare, brief and one-time experience for Alaskans**. One way of describing this goal is attaining “functional zero.” This goal is achieved when the number of individuals experiencing homelessness in a community is less than the average number of individuals connected with permanent housing each month. In achieving this measure, a community has demonstrated the system and capacity to quickly and efficiently connect people with housing and ensure that homelessness within the community will be rare, brief, and non-recurring.<sup>6</sup>

Other complementary efforts include:

- In 2015, Anchorage Mayor Ethan Berkowitz and Alaska Governor Bill Walker added leadership positions in their administrations to focus on promoting collaboration to end chronic homelessness, which has been identified as a priority for both administrations.
- The Anchorage Coalition to End Homelessness (ACEH) was formed in 2012 with the mission to advocate for and implement strategies to prevent homelessness, provide housing and work opportunities for all, and complete a ten-year plan to end homelessness in Anchorage.
- The Anchorage CoC adopted a systemwide Housing First approach. All CoC-funded projects will adhere to this approach and will ensure housing and service options are tailored to the unique needs of each individual or family and that program participants have access to the services to help them achieve their goals.
- Through strong collaborative leadership, in 2017, Anchorage has 156 permanent supportive housing beds for homeless households with children, and 415 permanent supportive housing beds for homeless households without children. This includes the city’s first single-site Housing First project, Karluk Manor, that provides 46 units of permanent supportive housing, serves adults who are homeless and high consumers of emergency, correctional and acute care services, and who experience substance use disorder and serious mental illness. In November 2016, the John Thomas housing project opened as an additional single-site Housing First project providing 20 permanent supportive housing units for chronically homeless adults.
- Anchorage was selected as one of ten CoC entities in the nation, and one of four rural communities, to plan for and implement a Youth Homelessness Demonstration Program (YHDP). This was a very competitive solicitation and over 120 CoCs applied. The Anchorage CoC was awarded \$1.5 million over two years. These funds will be renewable through the CoC process in future years.
- ACEH worked collaboratively to develop the Mayor of Anchorage’s Housing and Homeless Services Coordination Action Agenda, which includes a goal of housing 100 adults and youth who are on the streets and in camps each year over a 3-year period. In year one, 96 people were housed through

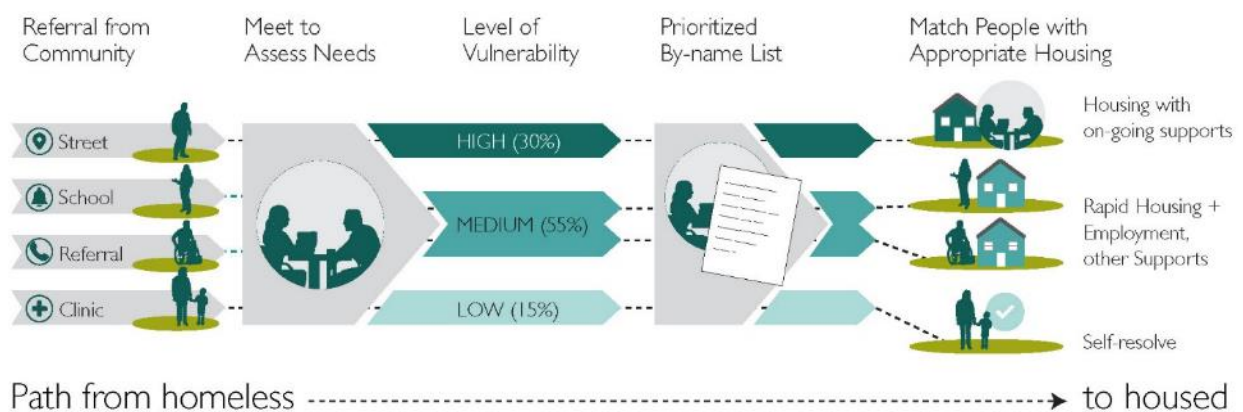
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<sup>6</sup> University of Calgary School of Public Policy (SPP), Canadian Observatory on Homelessness (COH), Canadian Alliance to End Homelessness (CAEH), Definition of Functional Zero, 2017, <http://homelesshub.ca/endinghomelessness> accessed April 2018.

these initiatives. More recently, a memorandum of agreement was signed between ACEH, the Municipality and United Way of Anchorage. Built on the Collective Impact model, the agreement identifies tasks in the areas of Programmatic Focus and Coordination, Housing and Homeless Services Alignment and Coordination, and Sustainability, as well as lead organizations for each task. While these three organizations serve as “backbone” organizations for this effort, ACEH includes member organizations who work across the spectrum of housing and social services, and other agencies and coalitions have significant roles or lead responsibility for certain populations, such as the local VA Health Care system, for homeless veterans.

- Over the past 18 months, ACEH has been leading Anchorage’s work to design and implement the city’s Adult, Family, and Youth Coordinated Entry (CE) System. As of January 2017 the system is fully operational for single adults, families, and youth with access points, intake and assessment tools, and processes and procedures in place including integration into the Homeless Management Information System (HMIS). The system identifies people most vulnerable and in need of housing using the Vulnerability Index-Service Prioritization Decision Assistance Tool (VI-SPDAT). Three Transition Coordinators, one for single adults, one for families, and one for youth and young adults, coordinate between people experiencing homelessness and housing and supports (Figure 6).

**Figure 6: Diagram of Coordinated Entry System**



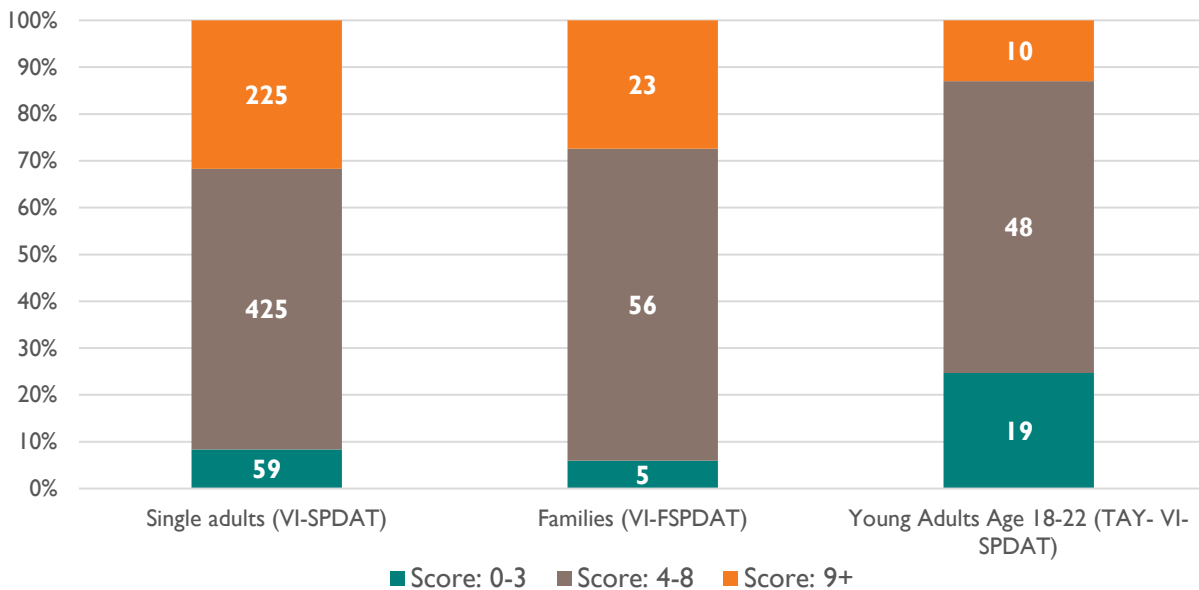
Source: Agnew::Beck Consulting

### Range of Vulnerability

Individuals experiencing homelessness also experience a range of factors that may increase their vulnerability to homelessness and other adverse events. Adequately addressing each individual’s unique needs requires an assessment of vulnerability. As part of the Coordinated Entry System, Anchorage uses the Vulnerability Index-Service Prioritization Decision Assistance Tool (VI-SPDAT) for this assessment. The Alaska Coalition on Housing and Homelessness is currently in the process of developing a Coordinated Entry system for the Balance of State, including the Mat-Su Borough. The vulnerability score determined through this assessment was used in this study to estimate the level of service needs among the target population.

Recent data from Anchorage’s Coordinated Entry System identified 721 single adults, 88 families and 77 young adults in need of housing and supports in Anchorage (Figure 7 on the following page).

Figure 7. Vulnerability Score Distribution among Single Adults, Families and Young Adults Referred to Anchorage Coordinated Entry System, HMIS, November 2017



Among the single adult population, 31 percent of those assessed had a high vulnerability score (9 or higher), 59 percent scored between 4 and 8, and 8 percent had a low score, between zero and 3. Among the family population, the proportions are similar but edging upwards towards the proportions among the single adult population. Among the target population identified through this study, the proportion experiencing a high vulnerability score was approximately 43 percent, suggesting this population has relatively higher needs than the general population of single homeless adults (31 percent).

### State-level Reforms

Alaska is engaged in systems-level changes to transform its Medicaid program and criminal justice systems. These reforms seek to improve the health of Alaskans, improve community safety, and reduce the utilization of high-level and crisis-driven services by improving prevention, early intervention and increasing access to appropriate care to meet an individual’s needs. Behavioral health services have been identified as a missing link in Alaska’s continuum of housing, health care and social supports; lack of access to these services drives recidivism to corrections, exacerbates health issues, and can impair an individual’s ability to maintain housing.

In 2016, the Alaska Legislature passed two reform mandates. Senate Bill 74 (SB 74) is a multi-initiative Medicaid reform package that includes direction to apply for an 1115 demonstration waiver that will develop a comprehensive and integrated behavioral health system that partners with diverse providers and disciplines to provide evidence and data-driven practices, to achieve positive outcomes for children, youth, and adults experiencing behavioral health disorders. SB 74 includes direction to reduce operational barriers, minimize administrative burden, and improve the behavioral health system’s effectiveness and efficiency.

The second large reform mandate, Senate Bill 91 (SB 91), is a comprehensive criminal justice reform effort that reduces sentencing lengths for non-violent offenders and reinvests savings into programs that increase the likelihood of success outside of the correctional system. These reinvestments include increasing case management services to help those reentering the community from corrections connect with behavioral health treatment, and access housing and other community-based supports. Alaska’s Community Reentry Program envisions that offenders sentenced to thirty days or more will have the services and supports needed to successfully reenter their communities. These services and supports include, but are not limited to, access



to physical and behavioral healthcare, employment, transportation, education and training and housing. Offenders are introduced to community services and providers during incarceration to gain familiarity and establish relations with the supports they need for successful reentry. Communities with reentry programs must ensure they have the capacity to meet the service needs of reentrants.

The **Alaska Community Reentry Program** (Figure 8) is built around local coalitions established in communities, most of which have a state corrections facility. The coalitions consist of community members interested in reducing recidivism, improving lives for those released from Corrections, and increasing public safety. A key responsibility for the coalitions is assessing community needs and working locally to address service gaps.

Additionally, some reentrants need the coordinated support of a team of people and agencies to help guide and encourage them. The Reentry Coalitions partner with identified Reentry Case Managers to engage and support the reentrant in accessing the services and treatment needed upon reentry. Coalitions are supported, in part, through funding from the State of Alaska; this funding is channeled through community grantees working directly with the coalitions.

Figure 8: Alaska Community Reentry Program

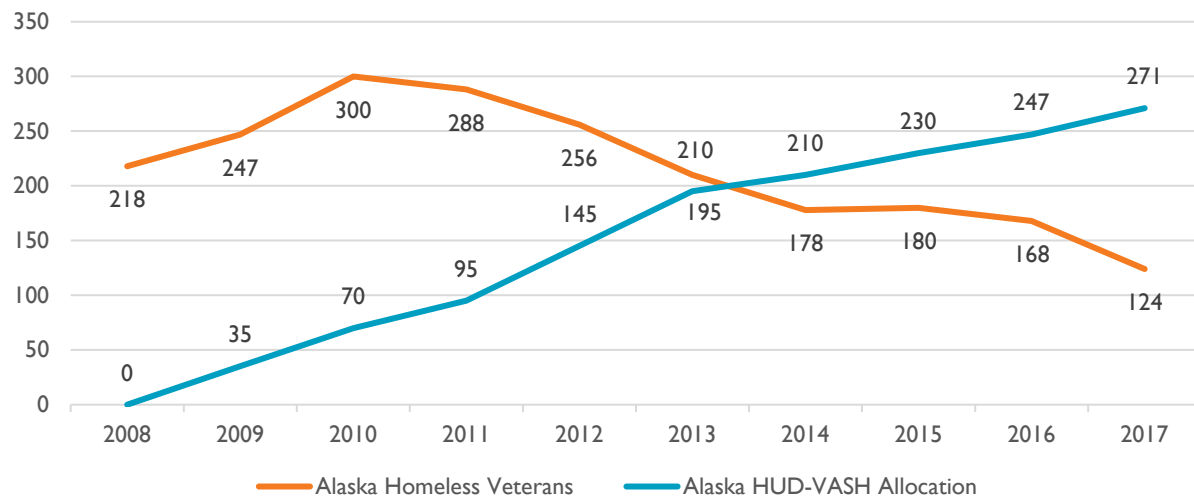


**Local Success: Permanent Supportive Housing for Alaska Veterans**

Relevant to this project is a recent local success due to increased investment in permanent supportive housing for Alaska’s veterans experiencing homelessness. The number of homeless veterans in Anchorage has been reduced by half since 2015, and almost two-thirds since 2012, and similar declines are evident in statewide Point in Time counts. This positive trend is mainly attributable to growth and success of the HUD-VASH program, which provides 271 vouchers for permanent supportive housing in Alaska, a program originally

funded to provide only 25 vouchers (Figure 9). In 2015 alone, 139 homeless veterans in Anchorage were successfully housed with HUD-VASH vouchers, and currently 154 vouchers are being utilized in Anchorage.<sup>7</sup> Individuals who were homeless but now living in permanent housing, including units receiving rental assistance and supportive services, are no longer counted as homeless and considered successfully housed if they stay in that unit or move to other permanent housing.

Figure 9. Alaska Homeless Veterans and HUD-VASH Voucher Allocation, 2008 - 2017<sup>8</sup>



Source: Alaska Coalition on Housing and Homelessness and Anchorage Coalition to End Homelessness, Point in Time Count data; HUD Exchange, HUD-VASH allocations, FY 2008 - FY 2016

## Overview of Feasibility Study

The Pay for Success model seeks to redirect resources within a system to achieve more desirable outcomes than are being achieved in that system currently, and to use multiple sources of public and private funds to incentivize partners to achieve those outcomes.

The feasibility study asks the research questions listed below to determine whether this project is likely to achieve the desired results in Anchorage and Mat-Su:

1. What is the evidence of overlap between the following populations: individuals with recurring involvement with corrections; individuals experiencing chronic or recurring homelessness; and frequent utilizers of emergency services and other public resources?<sup>9</sup>
2. What are characteristics of this target population, and what level(s) of need do they have?
3. What are the current patterns of service utilization for this population, and what are the estimated costs for serving this population under the status quo?

<sup>7</sup> Anchorage Coalition to End Homelessness, Continuum of Care (CoC) application, Objective 3, FY 2016.

<sup>8</sup> HUD-VASH allocations are depicted in the year that they are utilized in Alaska, the year following the fiscal year of the original allocation, to reflect the number currently allocated in Alaska as of 2017. 2017 allocation does not include additional 60 Tribal HUD-VASH vouchers awarded for American Indian and Alaska Native veterans.

<sup>9</sup> This evidence of overlap is based on matching individuals from available data sets to determine the number of people who meet the target population criteria. Access to individual level datasets was not available beyond the corrections, homeless system, and the Municipality's Anchorage Safety Center.

4. What change (reduction or increase) in service utilization might be achieved by providing permanent supportive housing for this population?
5. How much will it cost to provide permanent supportive housing for the target population, and at what scale (number of units)?
6. Based on the projected changes in utilization and estimated potential cost avoidance, and compared against the cost of providing permanent supportive housing for this target population, is there sufficient cost avoidance to develop a feasible Pay for Success program?
7. How financially sustainable is the permanent supportive housing delivery model in Anchorage and are there ways to utilize any measurable cost avoidance to create a more sustainable model?
8. What are the specific solutions that make the most sense for Anchorage and Mat-Su when considering a Pay for Success model to fund permanent supportive housing?

The study answers these questions in the following chapters:

**Executive Summary:** Summarizes the results and identifies next steps and possible solutions (question 8).

**2. Target Population:** Answers questions 1 and 2. Establishes the target population for the intervention.

**3. Changes in Service Use:** Answers questions 3 and 4. Characterizes current utilization and costs of services for this population, estimated change in utilization based on comparable evaluations and results in Alaska and in other states.

**4. Estimating Cost Avoidance:** Answers questions 5 and 6. This chapter models estimated costs of emergency and crisis services for the target population under the status quo and compares them to the costs after the individual is housed with support services. The cost of the permanent supportive housing intervention is also included.

**5. Sustainable Permanent Supportive Housing:** Answers question 7. Using information provided by Rural Alaska Community Action Program (RurAL CAP), a cost and revenue model was developed for permanent supportive housing in Anchorage for a non-tribal provider; the results show the lack of financial sustainability associated with operating this intervention. Chapter 5 identifies ways that the cost avoidance identified in Chapter 4 can be utilized to more sustainably fund permanent supportive housing.

“Intervention” is used interchangeably with “Permanent Supportive Housing” throughout this report to make it easier to compare the impacts of Permanent Supportive Housing with costs of maintaining the status quo.

The methodology for each step in the analysis is described in the relevant chapter.

## 2. Target Population

### Key Findings

- The target population for permanent supportive housing with a potential Pay for Success funding model are those with frequent stays in corrections, patterns of homelessness, and high use of emergency and other services.
- There between 769 and 1,218 people who show “evidence of overlap” between frequent prison stays and patterns of homelessness. In this study, to demonstrate evidence of overlap required an individual to have had at least two releases from corrections in the previous three years, with one release in the past twelve months; this is the same definition as the Pay for Success demonstration project HUD/DOJ grant requirements. The lower end of the range (769) includes those who meet the criterion for involvement with corrections and those who have had **three** or more encounters with the Anchorage homeless system; while the upper end of the range (1,218) includes those who meet the criterion for involvement with corrections and who had at least **one** encounter with the homeless system over a three-year period.
- The target population for permanent supportive housing is 330 people, which is a subset of the 769 to 1,218 described above who are considered candidates for permanent supportive housing because of their higher needs for social and health services based on the VI-SPDAT scores.
- The average age of this target population is 37. Fifty-six percent of the individuals are Alaska Native, 76 percent are male and 90 percent do not have children.

### Methodology

This chapter addresses findings for the feasibility study’s first set of research questions:

1. **What is the evidence of overlap between the following populations: individuals with recurring involvement with corrections; individuals experiencing chronic or recurring homelessness; and frequent utilizers of emergency services and other public resources?**
2. **What are characteristics of this target population, and what level(s) of need do they have?**

To answer these questions, the project team sought individual level data from multiple organizations to understand the current evidence of overlap in Anchorage and the Matanuska-Susitna (Mat-Su) region’s corrections and homeless populations. Collecting information about individuals who interact with these systems was necessary to identify who has regular contact with each, match across data sets to determine evidence of overlap, and develop summary demographic and utilization statistics about this population.

Because individual identifying information (including name and date of birth) in the data sets is protected by law, regulation or organizational policy, the project team entered into data sharing agreements with each agency prior to receiving the data, followed established protocols to protect confidentiality and privacy of the individuals, and ensured that all analysis and publication of summarized data did not contain identifying information. Ultimately the data sharing agreements allowed access to individual level data from the Department of Corrections (DOC), the homeless system based on the Anchorage Coalition to End Homelessness’s HMIS, encounters at the Brother Francis Shelter from Catholic Social Services, Anchorage Safety Center by the Municipality of Anchorage, and recent Point in Time Counts from the Municipality of

Anchorage.<sup>10</sup> The data sharing agreements did not allow the team to send individual names to healthcare providers or the State’s Medicaid system; because of this, individual level health data associated with the data sets generated through this study are not included in this analysis. Other sources for health data were used as described in the next chapter. Additionally, the Alaska Coalition on Housing and Homelessness, which manages the Continuum of Care funding for the Balance of State, did not release data to the project team and as a result an analysis of the target population for the Mat-Su could not be accomplished.

The feasibility study does not make any recommendation about named individuals who should be considered eligible for this demonstration project. Development of eligibility criteria and identification of specific individuals for participation in the demonstration project will occur in the transaction structuring and implementation phases.

Figure 10. Pay for Success Permanent Supportive Housing Demonstration Proposed Target Population

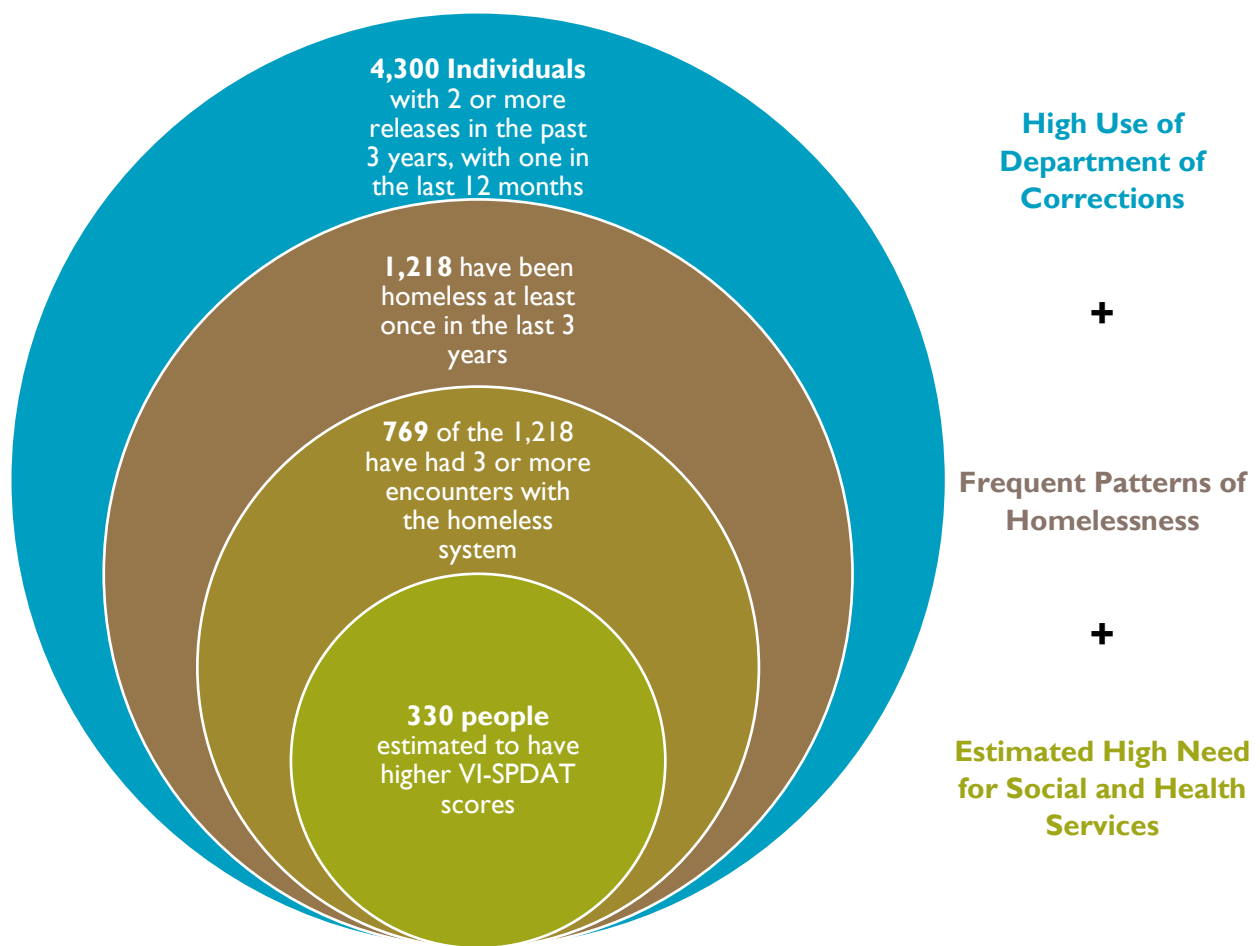


Figure 11 on the following page compares the data set identified in the grant with the best available data for this feasibility study.

<sup>10</sup> The Anchorage Coalition to End Homelessness agreed to allow individual level data matching to be done by the HMIS contractor ICA. ICA received the DOC and Brother Francis Shelter names and matched them, along with names from the Anchorage Safety Center to the HMIS system for Anchorage. A de-identified database was returned to Agnew::Beck to analyze for the feasibility study.

Figure 11. Target Population Characteristic Definitions

Target Population Characteristic	HUD-DOJ Grant Requirement	Best Available Data for this Study
<b>Pattern of Stays in Correctional Facilities</b>	Multiple jail or prison stays within a three-year look-back period, the most recent of which must have occurred within the last 12 months.	Individuals released from Department of Corrections facilities, two or more stays within study period and most recent stay within the last 12 months.
<b>Pattern of Homelessness</b>	(A) Must meet the definition of “chronically homeless” at 24 CFR 578.3; or (B) Must have been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter for 12 months cumulatively over the last three years; or (C) Must have been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter for at least one night during the year at any point in each of the last three years.	Individuals who have had 3 or more encounters with a homeless service provider within the last three years.
<b>Demonstrates Costliest Service Needs</b>	(A) Has a history of high-cost utilization of crisis services, which include but are not limited to: emergency rooms and psychiatric facilities; or (B) Has significant health or behavioral health challenges or functional impairments which require a high-cost level of support to maintain permanent housing.	Individuals with a VI-SPDAT (Vulnerability Index - Service Prioritization Decision Assistance Tool) Score of 9 or Higher.

### Data Sources

Figure 12 summarizes the data sources utilized for this study.

Figure 12. Feasibility Study Data Sources

Data Set	Time Period	Source	Notes
Individuals released from corrections, two or more stays within study period and most recent stay within the last 12 months	September 1, 2014 to September 1, 2017; most recent stay September 1, 2016 to September 1, 2017	Alaska Department of Corrections	<ul style="list-style-type: none"> <li>Includes unsentenced and sentenced stays</li> <li>Includes AS Title 47 involuntary mental health hold (non-criminal) stays<sup>11</sup></li> <li>Excludes individuals with DUI charge</li> <li>Released to Anchorage or Mat-Su</li> </ul>
Individuals documented in recent Point in Time Counts	January 2016, January 2017, August 2017	Municipality of Anchorage	<ul style="list-style-type: none"> <li>Adults, age 18+</li> <li>Unsheltered individuals only</li> </ul>
Individuals who had contact with Brother Francis Shelter within study period	September 1, 2014 to November 30, 2016	Catholic Social Services	<ul style="list-style-type: none"> <li>Adults, age 18+</li> <li>Records after November 2016 not available from CSS; now included in HMIS</li> </ul>
Individuals documented in HMIS with contact(s) during study period	January 2015 to January 2018	Anchorage Coalition to End Homelessness	<ul style="list-style-type: none"> <li>Adults, age 18+</li> <li>After January 2017, coordinated entry system implemented with HMIS</li> <li>Data matching completed by ICA and returned as de-identified data set to Agnew::Beck.</li> </ul>

<sup>11</sup> Title 47 holds allow up to a 24 hour involuntary commitment due to a mental health crisis or severe intoxication; it is not considered a criminal conviction, but these stays are counted as a corrections stay in this study. One or more Title 47 holds typically indicates serious behavioral health needs or a substance use disorder. See Chapter 3, page 22 for more discussion of Title 47 holds.

Data Set	Time Period	Source	Notes
Individuals who had two or more contacts with Anchorage Safety Center within study period	January 2015 to January 2018	Municipality of Anchorage	<ul style="list-style-type: none"> <li>Adults, age 18+</li> <li>ASC provides temporary shelter for intoxicated or incapacitated individuals</li> <li>Excludes individuals with only one contact</li> </ul>
Individuals in homeless camps documented by HART team in study period	January 2015 to January 2018	Municipality of Anchorage	<ul style="list-style-type: none"> <li>Adults, age 18+</li> <li>HART team conducts outreach at homeless camps on parks + public lands</li> </ul>

### Matching Process

After securing each data set, the authorized members of the project team specified in the data sharing agreements used the identifying information (full name and date of birth) to identify which individuals in the corrections data set also appeared in one or more of the data sets of people experiencing homelessness identified during a Point in Time count, encounters with Brother Francis Shelter, encounters with the Anchorage Police Department HART team at homeless camps within the Municipality, or who have made contact with any provider who records clients in HMIS. As described previously, ACEH released individual level data to their HMIS contractor ICA, and ICA completed the matching with DOC data and ultimately the Municipality’s Anchorage Safety Center and HART data. De-identified individual level data was returned to Agnew::Beck to summarize for the feasibility study. Additionally, individuals matched were also cross-referenced with the Anchorage Safety Center client list to indicate whether they had multiple encounters with that facility, indicating utilization of other public services.

### Evidence of Overlap and the Estimate of the Target Population

There are approximately 330 individuals who over the past three years have had frequent stays in Corrections and frequent encounters with the Anchorage homeless system and who are likely high users of emergency services due to their high VI-SPDAT score and frequent use of the Anchorage Safety Center.

To estimate the target population, the team used the following method:

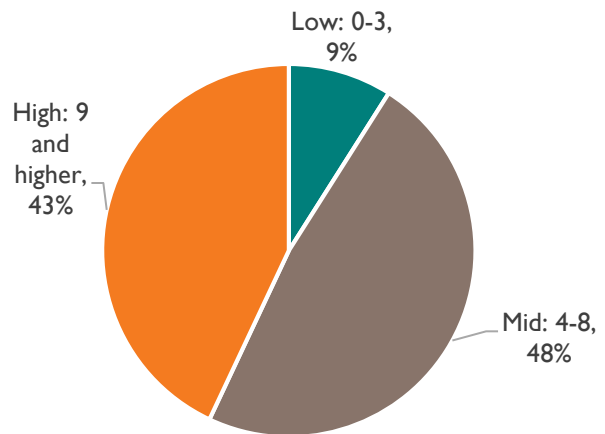
- 1. Select high utilizers of the State of Alaska Department of Corrections prison system.** The team identified 4,300 individuals as frequent users of the Department of Corrections. Per the grant requirements, this group had two or more releases in the past three years, with one in the last 12 months.
- 2. Cross reference the individual names from the DOC list with individual level data from the homeless system.** There is no master list of individuals experiencing homelessness, and this status by its nature transitory, with individuals making contact with different service providers depending on their needs. To determine individuals who had a pattern of homelessness, the project team created a list of individuals who had been documented by one or more of the following means in the least three years:
  - Point in Time Counts
  - Brother Francis Shelter
  - HMIS
  - Anchorage Safety Center
  - HART team

When this list was compared with the DOC population list, the project team identified 1,218 individuals who met the criteria of a high user of DOC and who had also experienced homelessness at least once in the last three years. To identify the most frequent users of the Anchorage homeless system, the target

population was further narrowed to 769 individuals who had three or more encounters with the homeless system in the last three years and had at least two releases from a DOC prison in the last three years, with one in the previous 12 months. Encounters with Anchorage Safety Center (ASC) were not used as criteria to narrow the list further, but multiple stays at ASC is an indicator of utilization of public safety resources. More information about ASC is included in Chapter 3.

- 3. Apply the distribution of the VI-SPDAT to the population with frequent use of corrections and the homeless system.** The third criterion for the target population was a high need for social and health services, which the study team approximated using a high VI-SPDAT score. When a person contacts the homeless system, the provider administers a VI-SPDAT assessment to determine risk and prioritization when providing assistance to people who are homeless or at risk of homelessness. The assessment includes questions such as, “In the past six months, how many times have you received health care at an emergency department?” and “Have you ever had trouble maintaining your housing, or been kicked out of an apartment, shelter program or other place you were staying, because of a mental health issue or concern?” Answering yes to these types of question increases the VI-SPDAT score and indicates individuals with more severe service needs. A VI-SPDAT score ranges from 1 to 17, with scores of 9 and above indicating more severe service needs.

Figure 13: Percent Distribution of VI-SPDAT Scores for Target Population



Note: Only 116 total records that matched between homeless data and DOC data had VI-SPDAT scores.

Among records matched between the DOC and homeless data sets, 116 had an associated VI-SPDAT score. Forty-three percent of those with a score had a score of nine or higher (Figure 13). When this percentage is extrapolated to the total number of individuals (769) who have high use of the Department of Corrections and exhibit frequent patterns of homelessness, approximately 330 people are estimated to have high need for social and health services. These 330 people would be potential candidates for permanent supportive housing.

### **Anchorage + Mat-Su Populations**

Most of the matches identified are in the Anchorage area. While the corrections data includes individuals who indicated their preference for release in either Anchorage or Mat-Su, the project team was not able to secure access to HMIS or other data on individuals experiencing homelessness in that region. Data on homelessness overall in both regions indicate that there is a smaller overall homeless population in Mat-Su, and individuals released from corrections who are also homeless are more likely to remain in Anchorage due to the concentration of services. For example, as shown in Figure 5 in Chapter 1, the 2017 Point-in-Time counts for Mat-Su indicate 81 homeless individuals versus 1,128 in Anchorage. Additionally, 45 of the 769 individuals (6 percent) who show frequent patterns of homelessness and stays in corrections indicate that their home is in the Mat-Su. Applying the distribution of high need VI-SPDAT scores (43 percent) to the 45, it is likely that at least 19 people or 16 beds of permanent supportive housing are needed in the Mat-Su. To better understand the need in Mat-Su when the intervention is developed, however, the project team recommends securing access to the region’s HMIS data during the transaction structuring phase.

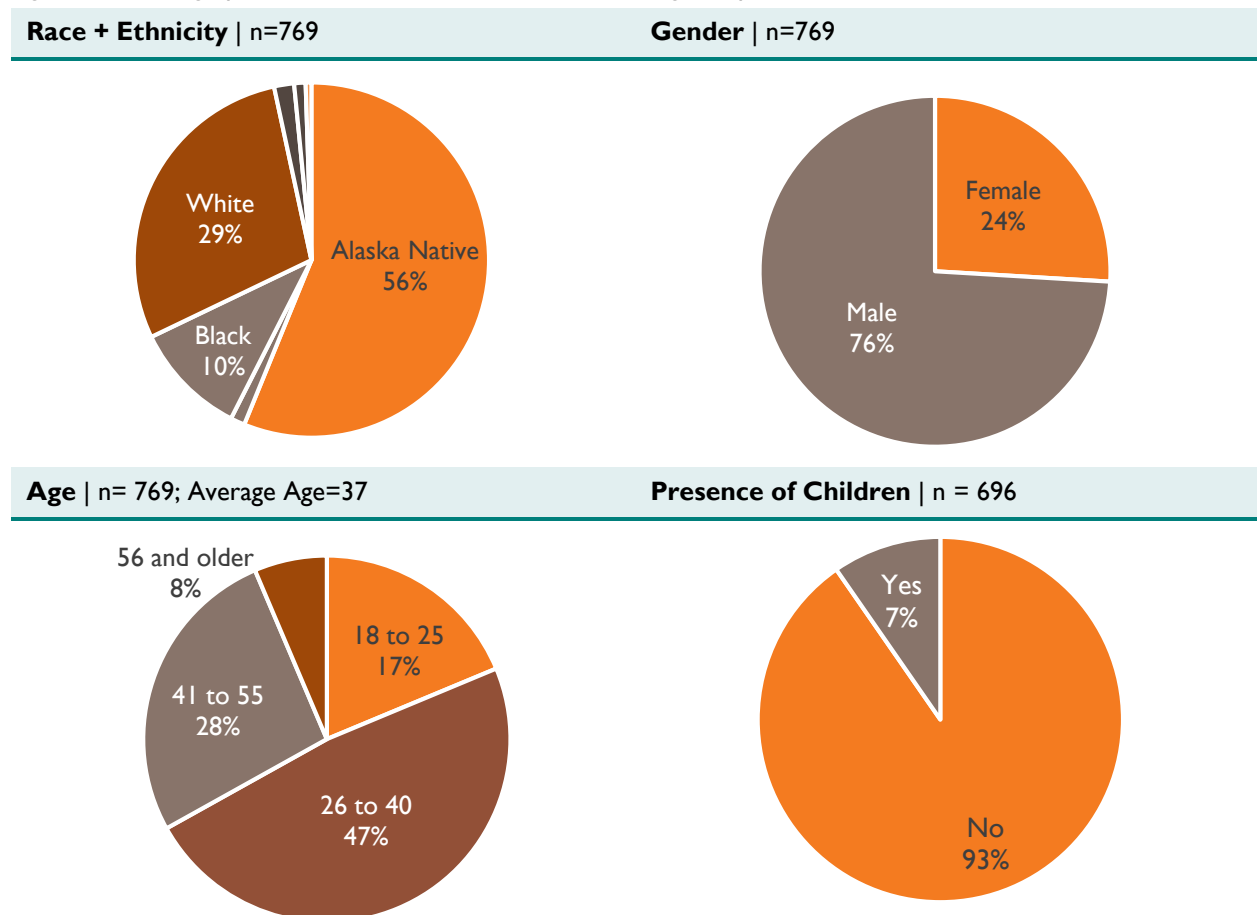


## Target Population Demographics Characteristics

This section provides an overview of the demographic characteristics of the target population. The average age of the target population is 37. Fifty-six percent are Alaska Native, 76 percent male and the majority do not have children.

Demographics from the DOC data were summarized for the 769 individuals, as an estimate of the 330 individuals who are candidates for permanent supportive housing. This was done because the distribution of VI-SPDAT was used to estimate the number of people in the target population; because only 116 individuals had VI-SPDAT scores in their records, demographics specific to the 330 individuals could not be isolated. However, a summary of demographics for the 116 with VI-SPDAT scores showed similarities to the population of 769.

Figure 14. Demographic Characteristics of the Estimated Target Population



Source: Demographic information from population data sets from Alaska Department of Corrections, Catholic Social Services, Anchorage Coalition to End Homelessness HMIS. These charts characterize the overlapping target population of high DOC users and people experiencing frequent patterns of homelessness (~n=769).

# 3. Changes in Service Use

## Key Findings

- The target population identified in this feasibility study shows evidence of current and significant utilization of public safety, corrections and emergency services.
- Providing permanent supportive housing for the target population identified is likely to result in significant reduction in use of public safety, corrections and emergency services. Service use is expected to drop 35 percent to 99 percent from the status quo when compared to use post-intervention, depending on the type of service in question. Only medical outpatient services are expected to increase once people are permanently housed.

## Methodology

This chapter addresses the next set of research questions:

3. What are the current patterns of service utilization for this population, and what are the estimated costs for serving this population under the status quo?
4. What change (reduction or increase) in service utilization might be achieved by providing permanent supportive housing for this population?

Where possible, the team used actual data gathered about the target population to establish current service utilization, and evaluation of Alaska-based projects to develop estimated changes in utilization. The project team reviewed pre- and post-intervention utilization from the evaluation completed by the Institute for Circumpolar Health Studies (ICHS) of two permanent supportive housing projects in Anchorage and Fairbanks. This study, entitled *Evaluating Housing First Programs in Alaska and Fairbanks, Alaska: Final Report* was completed in March of 2015 by ICHS for the Alaska Housing Finance Corporation and the Alaska Mental Health Trust Authority. This study relied on a release of information for residents of Karluk Manor operated by Rural Alaska Community Action Program (RurAL CAP) in Anchorage and Housing First operated by Tanana Chiefs Conference (TCC) in Fairbanks. By using individual data obtained through a release of information, ICHS compared medical records and service use for the year prior to the study population entering permanent supportive housing with two years after being housed.

Given that the ICHS Alaska Housing First Evaluation analyzes Alaska-based data on the outcomes from permanent support housing, the team relied on this study except in instances where the differences between the target population in this study were clearly different from the those in the ICHS study and it was more appropriate to use national evaluations of comparable permanent supportive housing projects. For example, the average age of those in the target population for this study is 37, which is considerably younger than the population evaluated as part of the ICHS Alaska Housing First Evaluation. As a result, the study team was not convinced that the utilization change for inpatient hospital was commensurate with the ICHS Alaska Housing First Evaluation: this population is younger and likely in better physical health than the subjects of the ICHS Alaska Housing First Evaluation, therefore national changes in utilization rates were used to estimate post-intervention utilization. The team also relied on post-intervention utilization of correctional facilities from national literature instead of relying on the ICHS Alaska Housing First Evaluation because the population evaluated in the ICHS study demonstrated less involvement in corrections than the target population for this feasibility study.

The studies reviewed, which evaluate similar housing interventions for this target population, suggest that the project will generate decreases for most of the public safety and emergency services being utilized now, with the exception of an increase in outpatient health services, reflecting improved access to non-emergency health care services post-intervention. The team developed a model using units of status quo utilization (e.g. visits, stays in number of days) and estimated percentage reduction or change in utilization after entering permanent supportive housing. Multiplying the current utilization by the estimated percentage change yields an estimated post-intervention utilization for each service. The implications for cost avoidance due to changes in utilization are discussed in Chapter 4.

## Status Quo Service Utilization

The target population identified in this feasibility study shows evidence of current and significant utilization of public safety, corrections and emergency services.

Each year, the average individual in the target population spends 19 days in shelter, 14 days at the Anchorage Safety Center and 53 days in Alaska’s prisons, and generates 10 calls to the police as well as two EMS/fire department transfers.<sup>12</sup> This average individual makes approximately eight visits to the emergency department, spends a day and a half in a hospital inpatient bed, and has 2.7 days of outpatient care per year. These numbers represent the average status quo utilization, individuals could be utilizing each piece of the system substantially more or less. For example, the status quo hospital inpatient utilization per year ranges from zero to 25 days per year. Housing the person who uses 25 days per year of hospital inpatient services could avoid more associated costs than housing the person who does not, on average, have any hospital stays. For this reason, the VI-SPDAT score is used to narrow the target population to the most vulnerable who have or are anticipated to have the most severe needs for these types of services.

The figures in the next section share the status quo service utilization for the target population and a comparison with the post-intervention utilization.

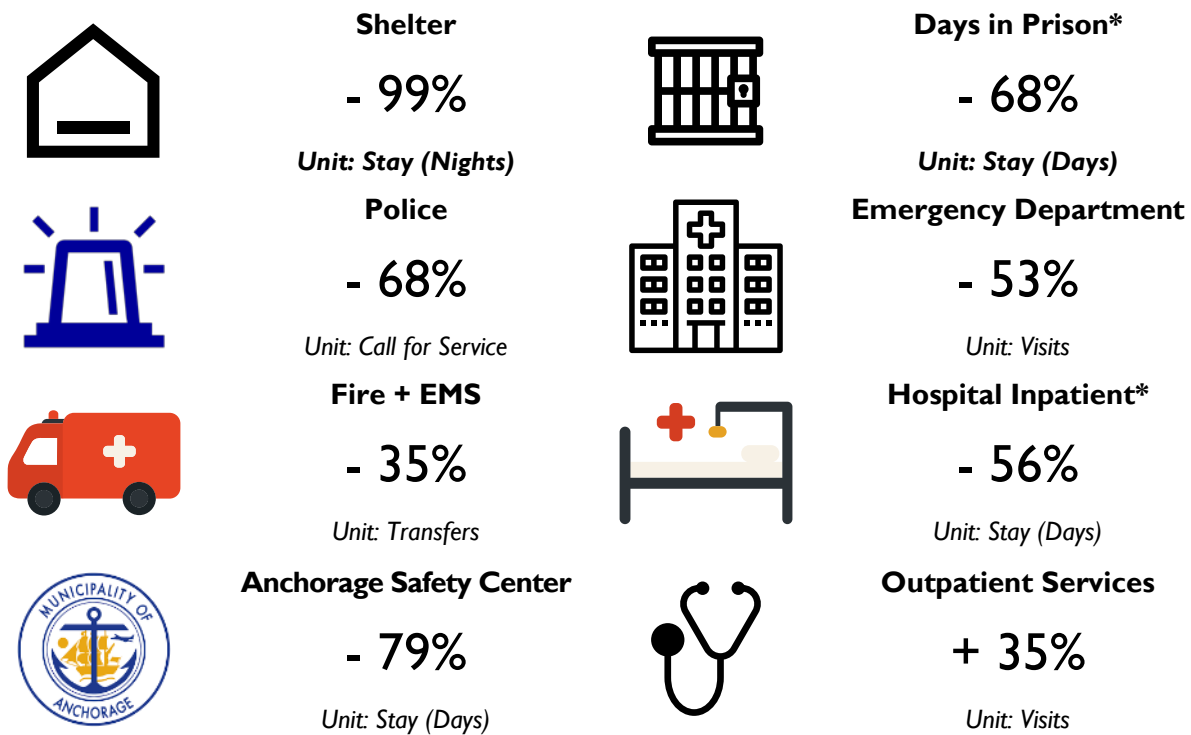
## Post Intervention Service Utilization

Providing permanent supportive housing for the target population is likely to result in significant reduction in use of public safety, corrections and emergency services. Figure 15 through Figure 23 on the following pages summarizes these findings by service category.

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<sup>12</sup> Alaska law (AS 47.37.170) allows a person who is incapacitated by drugs or alcohol to be held for a certain period of time (up to 12 hours) in involuntary protective custody, known as a “Title 47 hold.” The Anchorage Safety Center and other detention (correctional) facilities are authorized locations for Title 47 holds if there is no emergency treatment or medical emergency facilities available; in practice, there is a statewide shortage of treatment facilities, including in Anchorage, and it is common for people in protective custody under this statute to be brought to detention facilities.

Figure 15. Estimated Percent Change in Service Utilization Post-Intervention



Note: Percent reduction in corrections and hospital inpatient utilization of services post-intervention from a national review of evaluations of permanent support housing. All other percent reductions in utilization based on the ICHS Alaska Housing First Evaluation.

### Emergency Shelter Stays



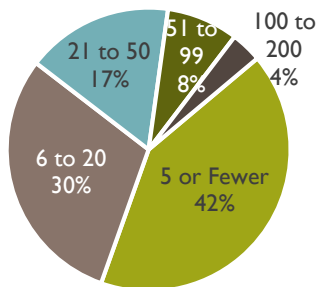
**Definition:** Average number of days in emergency shelter per year.

**Source:** Status quo estimates based on actual shelter stay data for Anchorage target population. Estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation.

Figure 16. Status Quo + Expected Change in Emergency Shelter Stays

#### Status Quo Utilization

19 days per year  
(range: 1 to 172)



#### Expected Change in Shelter Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
19 days per year	- 99%	0.23 days per year

## Police Department Calls



**Definition:** Number of police calls per year.

**Source:** Status quo estimates and estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation.

Figure 17. Status Quo + Expected Change in Police Department Calls

### Status Quo Utilization

10 calls per year  
(ranges: 0 to 51)

### Expected Change in Police Department Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
10 calls per year	- 68%	3 calls per year

## Fire Department + EMS Transfers



**Definition:** Number of fire department transfers (including EMS transports) per year.

**Source:** Status quo estimates and estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation.

Figure 18. Status Quo + Expected Change in Fire Department + EMS Transfers

### Status Quo Utilization

1.9 transfers per year  
(range: 1 to 11)

### Expected Change in Fire Department + EMS Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
1.9 transfers	- 35%	1.2 transfers per year

## Anchorage Safety Center Stays

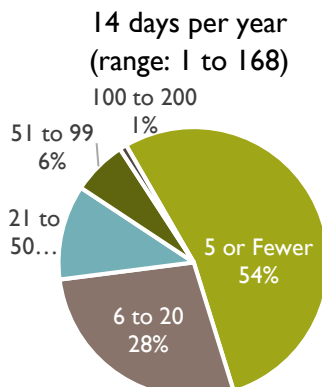


**Definition:** Average number of stays at Anchorage Safety Center per year.

**Source:** Status quo estimates and estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation.

Figure 19. Status Quo + Expected Change in Anchorage Safety Center Stays

### Status Quo Utilization



### Expected Change in Anchorage Safety Center Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
14 days per year	- 79%	3 days per year

## Corrections Stays



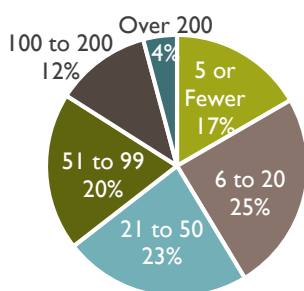
**Definition:** Average number of days in a correctional facility per year.<sup>13</sup>

**Source:** Status quo estimates based on actual corrections stay data for individual level target population data from this study. Estimated change in post-intervention utilization based on literature review of similar permanent supportive housing programs for this population in other states, and supported by a similar reduction in recidivism for Alaska reentry population participating in AHFC Returning Home transitional housing voucher program.

Figure 20. Status Quo + Expected Change in Corrections Stays

### Status Quo Utilization

53 days per release  
(range: 1 to 524)



### Expected Change in Corrections Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
53 days per year	- 68%	17 days per year

*Note:* The chart at left represents the distribution of individuals' releases by number of days. Most releases are less than 365 days, as indicated in the status quo average of 53 days, but a few individuals had a stay longer than one year, resulting in a 524-day maximum within the range for this population.

Almost three quarters of the target population had five or fewer releases in the 3-year study period, with an average of four releases.

## Emergency Department Visits



**Definition:** Emergency department visits per year.

**Source:** Status quo estimates and estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation.

Figure 21. Status Quo + Expected Change in Emergency Department Visits

### Status Quo Utilization

8 visits per year  
(range: 0 to 80)

### Expected Change in Emergency Department Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
8 visits per year	- 53%	4 visits per year

<sup>13</sup> Includes unsentenced (pre-trial custody) stays, sentenced stays, and non-criminal Title 47 stays in a correctional facility other than the Anchorage Safety Center.

## Hospital Inpatient Visits



**Definition:** Hospital inpatient stays (in days) per year.

**Source:** Status quo estimates and estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation and literature review of similar permanent supportive housing programs for this population in other states.

Figure 22. Status Quo + Expected Change in Hospital Inpatient Visits

### Status Quo Utilization

1.4 inpatient days per year  
(range: 1 to 25)

### Expected Change in Hospital Inpatient Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
1.4 days per year	- 56%	0.6 days per year

## Outpatient Medical + Behavioral Health Services



**Definition:** Days of outpatient medical and behavioral health services per year.

**Source:** Status quo estimates and estimated change in post-intervention utilization based on ICHS Alaska Housing First Evaluation.

Figure 23. Status Quo + Expected Change in Outpatient Services

### Status Quo Utilization

2.7 days per year  
(range: 0 to 13)

### Expected Change in Outpatient Services Utilization

Status Quo Utilization	Expected Percent Decrease	Post Intervention Utilization
2.7 days per year	+ 35%	3.7 days per year

## 4. Estimating Cost Avoidance

### Key Findings

- Under the status quo, the target population generates an average of \$47,000 in costs per person per year in emergency and crisis services throughout the nonprofit, municipal, state and medical sectors.
- The estimated cost of emergency and crisis services by the target population living in permanent supportive housing is approximately \$25,000 per person per year, a reduction of 47 percent over the status quo. In other words, by housing the individual and providing necessary supportive services, \$22,000 per person per year in annual cost avoidance accrues to the nonprofit, municipal, state, and payers in the medical system.
- When the per person per year cost avoidance is multiplied by the proposed 269 units of permanent supportive housing, the annual cost avoidance for the nonprofit, municipal, state, and medical system is estimated at \$5.9 million. Approximately 62 percent of that cost avoidance accrues annually to payers in the medical system, with much of the remainder to state and local government agencies.
- The cost to operate 269 units of permanent supportive housing, including both the housing and case management services, in Anchorage is approximately \$23,000 per person/unit per year, or \$6.1 million annually for all 269 units.
- The systemwide cost of providing services including the cost of the intervention to individuals in permanent supportive housing (\$12.8 million) is roughly the same as continuing with the status quo (\$12.9 million). However, the costs are shifted towards other sources and the amount of annual cost avoidance (\$5.9 million) can be a substantial contribution toward a sustainable permanent supportive housing model.

### Methodology

This chapter addresses two research questions:

- 5. How much will it cost to provide permanent supportive housing for the target population, and at what scale (number of units)?**
- 6. Based on the projected changes in utilization and estimated potential cost avoidance, and compared against the cost of providing permanent supportive housing for this target population, is there sufficient cost avoidance to develop a feasible Pay for Success program?**

The project team estimated pre- and post-intervention utilization and multiplied utilization by a standard unit cost held constant over time to develop estimated current costs and potential cost avoidance for each service. Unit costs were based on the ICHS Alaska Housing First Evaluation initially and then reviewed with the appropriate entities. New information on costs were provided for shelter stays, Anchorage Fire Department EMS transfers, Anchorage Safety Center stays, and Department of Corrections prison days. Unit costs for emergency department, hospital inpatient, and outpatient services are based on the ICHS Alaska Housing First Evaluation and escalated to 2018 using the percent increase in published Medicaid rates for Alaska Regional and Providence Medical Center. It should be noted that this study refers generally to services as “crisis and emergency services,” however, outpatient medical services are also included, and are not considered crisis and emergency but represent a more appropriate type of care in non-crisis situations. This category of service shows an increase in utilization, as described in Chapter 3.



This chapter includes a cost analysis for the operations of 269 scattered site permanent supportive housing units, to meet the needs of the estimated target population for this intervention. The project team estimated a 10 percent turnover compounded annually in the units and applied this 10 percent to the total target population of 331 people (see Chapter 2 for discussion of the estimated target population).

The team conducted interviews with RurAL CAP, Alaska Housing Finance Corporation, Catholic Social Services, and other service providers to estimate the cost and utilization of existing services by the target population. To establish unit costs for each service category, the team received an estimated per-service-unit cost in 2018 dollars from Catholic Social Services for Brother Francis Shelter; the Municipality of Anchorage for fire/EMS transfers and Anchorage Safety Center days; and Alaska Department of Corrections for the cost per day. Shelter cost is the marginal cost of serving one client. Police, fire/EMS costs are the estimated cost for one event. Anchorage Safety Center and Department of Corrections costs are presented as the total annual operating costs, divided by the population served per year.

To estimate per-unit costs for medical and behavioral health services (emergency department, hospital inpatient and outpatient), the team averaged medical services unit costs reported in the ICHS study for 2014, compared with published Medicaid provider rates for local hospitals for the same years, and escalated the estimated unit cost based on the percent increase in Medicaid reimbursement rates between these years and 2018. For all service categories, unit costs are held constant between the status quo and post-intervention: current utilization and projected changes in utilization were multiplied against the unit cost to model potential changes in total costs.

The project team reviewed RurAL CAP's operating costs for two of their existing permanent supportive housing projects in Anchorage to estimate the cost of the intervention of permanent supportive housing. The steps to identify the cost avoidance and potential success payments of providing permanent supportive housing to the target population are as follows:

1. Characterize the intervention, which is permanent supportive housing
2. Estimate cost and utilization of existing services pre-intervention.
3. Estimate cost and utilization of intervention; permanent supportive housing.
4. Compare status quo costs to post-intervention and identify any cost avoidance by sector.
5. Identify new revenue sources for the intervention that are not available under the status quo.

## Status Quo Costs

The target population generates an average of \$47,000 per person per year in emergency and other crisis services costs annually. Most of these costs are borne by the Municipality of Anchorage, Alaska Department of Corrections, and medical payers such as hospitals, insurance providers and the state and federal governments. This average is inclusive of costs that can be quantified using agencies' operating costs, but does not include other intangible costs to the community such as negative impacts on businesses and neighborhoods, staff time that could be directed to other tasks, and public frustration with the status quo leading to assumptions that homelessness and crime are unsolvable problems.

The per person status quo costs are based on multiplying the unit cost for each service by the average per person utilization from either the target population or similar projects identified through the national literature review. The per person costs are then multiplied by the number of people in the program (269) for a total of \$12.7 million in costs per year. Figure 24 shows the status quo and post-intervention costs by sector per person, and estimated annual cost avoidance if the intervention is applied.

## Post-Intervention Service Costs

Permanent supportive housing has been shown, and is expected, to decrease but not eliminate residents' use of crisis or emergency services. The estimated cost of emergency and crisis services by the target population living in permanent supportive housing is approximately \$25,000 per person per year, a reduction of 47 percent over the status quo (Figure 24). By housing the individual and necessary supportive services, \$22,000 per person per year in annual cost avoidance accrues to nonprofit, municipal, state, and medical payers.

Figure 24. Status Quo and Post-Intervention Average Costs Per Person Per Year

Sector	Status Quo: Average Cost Per Person Per Year	Post Intervention: Average Cost Per Person Per Year	Annual Cost Avoidance Per Year	% Change from Status Quo
Non-Profit (shelter)	\$424	\$5	(\$419)	-98%
Municipal (police, fire, Anchorage Safety Center <sup>14</sup> )	\$5,469	\$2,895	(\$2,574)	-47%
State (prison)	\$8,277	\$2,679	(\$5,598)	-68%
Medical Payers (emergency, inpatient, outpatient visits)	\$33,243	\$19,735	(\$13,508)	-41%
<b>TOTAL SERVICES COSTS</b>	<b>\$47,413</b>	<b>\$25,314</b>	<b>(\$22,099)</b>	<b>-47%</b>
Cost of Permanent Supportive Housing	n/a	<b>\$22,696</b>	n/a	
<b>TOTAL INTERVENTION COSTS</b>	<b>\$47,413</b>	<b>\$48,010</b>	<b>\$597</b>	<b>1%</b>

## Feasibility: Estimated Cost Avoidance

People living in permanent supportive housing are expected to utilize approximately \$22,000 less in services than they would without permanent supportive housing. The project team subtracted the projected costs post intervention from the status quo costs for services in four sectors to estimate the cost avoidance with permanent supportive housing. Figure 25 on the following page provides the estimated costs avoided per person in permanent supportive housing by sector.

- Because individuals living in permanent supportive housing will no longer be living in a temporary shelter, the shelters will avoid around \$419 in per person per year costs.
- Using the literature review and examples of permanent supportive housing in Alaska, the Municipality of Anchorage is expected to avoid \$2,574 per person per year costs associated with police interventions, fire department, EMS and the Anchorage Safety Center. As noted above, there are other social costs associated with the current system; the projected fiscal benefits for the Municipality do not take into account other economic and social benefits for the community, such as reduced negative impacts on businesses and neighborhoods.
- Because people who are in permanent supportive housing will likely spend 64 percent fewer days in the prison than those who are not housed, State of Alaska DOC is expected to avoid \$5,598 per person per year in costs.
- The medical system, specifically payers for medical services, will see the most cost avoidance due to people being housing in permanent supportive housing. Categories of payers include insurance

<sup>14</sup> Anchorage Safety Center costs include facility operations as well as the Anchorage Safety Patrol van service.

providers, for those with private coverage; state and federal governments for Medicaid, with differing share of responsibility between the two entities depending on whether the enrollee is American Indian or Alaska Native, or part of the expansion population; and for those without resources to pay, medical providers absorb the costs of providing services. Even with increased outpatient visits, the reduced number of emergency department visits and inpatient hospital days will result in a net cost avoidance of \$13,508 per person per year to medical payers, also not inclusive of other benefits such as higher workforce retention for providers.

- In total, the permanent supportive housing results in approximately \$22,099 per person per year in cost avoidance for services.

Figure 25. Annual Cost Avoidance Per Person in Permanent Supportive Housing

Sector	Service	Units	Unit Cost	Per Person Utilization			Cost Per Person Per Year		
				Status Quo	Post-Intervention		Status Quo	Post-Intervention	
					Change	Units		Unit Cost	Cost Avoidance
Nonprofit	Emergency Shelter	Days	\$22	19 days	-99%	0.23 days	\$424	\$5	(\$419)
	Police Interventions	Calls	\$64	10 calls	-68%	3 calls	\$668	\$212	(\$456)
Municipal	Fire (EMS)	Transfers	\$2,000	1.9 transfers	-35%	1.2 transfers	\$3,840	\$2,480	(\$1,360)
	Anchorage Safety Center	Visits	\$40	14 days	-79%	3 days	\$961	\$203	(\$758)
<b>Subtotal: Municipal Costs</b>							<b>\$5,469</b>	<b>\$2,895</b>	<b>(\$2,574)</b>
State	State DOC	Days	\$156	53 days	-68%	17 days	\$8,277	\$2,679	(\$5,598)
Medical Payers	Emergency Room	Visits	\$1,785	8 visits	-53%	4 visits	\$14,601	\$6,872	(\$7,729)
	Hospital Inpatient	Days	\$9,520	1.4 days	-56%	0.6 days	\$13,519	\$5,932	(\$7,587)
	Outpatient Services	Days	\$1,883	2.7 days	35%	3.7 days	\$5,123	\$6,931	\$1,808
<b>Subtotal: Medical Costs</b>							<b>\$33,243</b>	<b>\$19,735</b>	<b>(\$13,508)</b>
<b>TOTAL COST AVOIDANCE</b>							<b>\$47,413</b>	<b>\$25,314</b>	<b>(\$22,099)</b>
<b>Plus Permanent Supportive Housing Intervention Cost</b>							<b>\$0</b>	<b>\$22,696</b>	<b>\$22,696</b>
<b>TOTAL INTERVENTION COSTS</b>							<b>\$47,413</b>	<b>\$48,010</b>	<b>\$598</b>

### Cost Avoidance for 269 Permanent Supportive Housing Units

When the per person per year cost avoidance is multiplied by 269 units of permanent supportive housing, annual cost avoidance for the nonprofit, municipal, state, and medical system is estimated at \$5.9 million annually. Approximately 62 percent of that cost avoidance accrues to the medical system annually. The cost

avoidance for the target population of 269 of \$5.9 million can be used to help fund the permanent supportive housing program, as shown in Figure 26. Ideas for utilizing the cost avoidance are provided in Chapter 5.

Furthermore, the cost avoidance could potentially be greater if the highest need users are served. Rather than using the utilization profile of the average user, if the model was based on an individual who spent significantly more than an average of 53 days in a correctional facility, the State would be able to save even more by funding permanent supportive housing rather than prison bed days. For high utilizers of corrections, the potential cost avoidance is higher, approximately \$55,604 per person per year for individuals who currently spent most of the year in corrections.

Figure 26. Annual Cost Avoidance by Sector: Status Quo Compared to Post-Intervention

Sector	Service	Total Costs for Target Population of 269 Individuals Served Per Year		Cost Avoidance
		Status Quo	Post Intervention	
Non-Profit	Emergency Shelter	\$113,813	\$1,364	(\$112,448)
	Police Interventions	\$179,374	\$56,885	(\$122,488)
Municipal	Fire (EMS)	\$1,031,167	\$665,962	(\$365,205)
	Anchorage Safety Center	\$258,094	\$54,513	(\$203,582)
	<b>Subtotal: Municipal Costs</b>	<b>\$1,468,635</b>	<b>\$777,360</b>	<b>(\$691,275)</b>
State	State DOC	\$2,222,516	\$719,380	(\$1,503,135)
Medical Payers	Emergency Room	\$3,920,871	\$1,845,398	(\$2,075,473)
	Hospital Inpatient	\$3,630,319	\$1,592,909	(\$2,037,409)
	Outpatient Services	\$1,375,717	\$1,861,264	\$485,547
	<b>Subtotal: Medical Costs</b>	<b>\$8,926,907</b>	<b>\$5,299,571</b>	<b>(\$3,627,336)</b>
<b>TOTAL COST AVOIDANCE</b>		<b>\$12,731,870</b>	<b>\$6,797,676</b>	<b>(\$5,934,195)</b>
<b>Plus Permanent Supportive Housing Intervention Cost</b>		\$0	\$6,094,669	\$6,094,669
<b>TOTAL INTERVENTION COSTS</b>		<b>\$12,731,870</b>	<b>\$12,892,344</b>	<b>\$160,474</b>

Figure 27 shows the annual cost avoidance by sector. Percentages show the percent of overall cost avoidance by sector. The medical system realizes the highest amount of cost avoidance, illustrated in Figure 28. The federal government would realize almost sixty percent of the total, including Medicare and Medicaid; this is due primarily to coverage of the Medicaid expansion population, for whom the federal match (FMAP) is 90 percent and the state's 10 percent, and the American Indian and Alaska Native population, for whom the FMAP is 100 percent. The target population for this project is very likely to be in the expansion population rather than qualifying for traditional Medicaid, whose claims are paid with a 50 percent FMAP. As such, approximately 58 percent of the medical system cost avoidance accrues to the federal government for their share of Medicaid and Medicare costs. The state would realize approximately three percent of the cost avoidance, its estimated share of Medicaid costs for this population, and private insurance would realize six percent, as most of this population is unlikely to have private insurance. One third of the cost avoidance is associated with a non-resourced individual, meaning the person is not enrolled in individual, group or government insurance, and therefore medical providers absorb the costs as uncompensated care.

Figure 27: Cost Avoidance by Sector

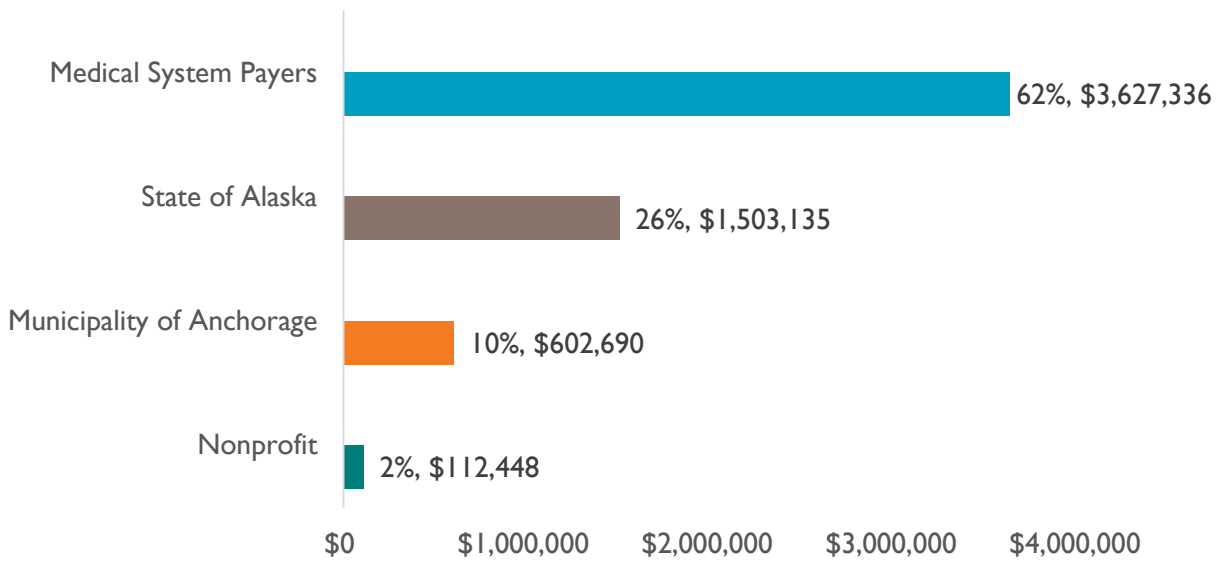
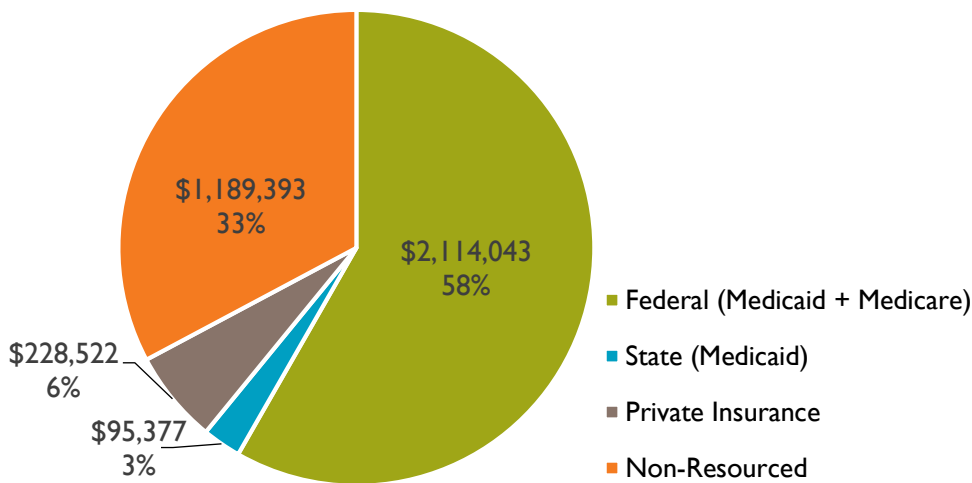


Figure 28. Approximate Share of Medical System Cost Avoidance by Payer Source



### Adding in the Cost of the Intervention

The cost to operate 269 units of permanent supportive housing, including housing and case management services, is approximately \$23,000 per unit per year in Anchorage (Figure 29). This study uses existing non-tribal permanent supportive housing models in Anchorage to develop the overall intervention cost.<sup>15</sup> At full buildout (269 units), the intervention will cost around \$6 million per year to operate.

<sup>15</sup> RurAL CAP provided most of the information in this report related to the cost of permanent supportive housing. The organization also noted that the per unit costs presented in this report do not necessarily reflect the appropriate indirect and fringe rates to represent the full cost of the intervention, including necessary staffing. Refining the model to reflect accurate indirect costs should be undertaken during the transaction structuring phase.

The cost of providing permanent supportive housing to residents in 269 units totals \$6,094,669, for a total cost of \$12.9 million annually, including estimated service costs for this population post-intervention. This is about \$160,000 more than the cost to serve the same number of people under the status quo. However, there are many clear benefits to the community, agencies and individuals:<sup>16</sup>

- Individuals housing in permanent supportive housing will be safer, have a better quality of life and be more appropriately housed than if they were living night to night on the streets, in a shelter or in a prison. This approach reflects responsible public policy and community values, including those established by Anchorage in its plans to end homelessness overall.
- Hospitals and emergency resources can be directed to other pressing medical needs, and costs of some services, including those for which medical providers are not compensated by other payers, could be avoided.
- The emergency response workforce will not be burdened with the task of providing housing and case management in place of their training as doctors. Employee morale and retention may improve as a result of this intervention: it can be difficult to serve the same people cycling in and out of the emergency department without their needs being met, and some patients' behavior poses safety risks to staff.
- Community-wide frustration with the status quo has led to public perception that both crime and homelessness are urgent and difficult-to-solve problems in Anchorage. Addressing the needs of this population through permanent supportive housing is anticipated to reduce negative impacts on businesses and neighborhoods, who absorb some of the economic and social costs of the current system.
- Nonprofits shelters can focus on providing temporary shelters rather than long-term housing.
- It is estimated that the negative social impacts of drug and alcohol use will decline as people in permanent supportive housing have better access to case management, behavioral health and outpatient services to address their mental health and substance use disorder conditions.
- Anchorage currently faces a five percent vacancy rate in rental housing which is an increase from two and three percent over the last several years.<sup>17</sup> Some housing providers report vacancies as high as 10 percent. Permanent supportive housing matches people who need homes to vacant housing and provides funding and supports to maintain housing. Finding ways to house additional people of limited means in these available units benefit landlords as well as these potential tenants.

While the systemwide cost of providing services to individuals in permanent supportive housing is roughly the same as continuing with the status quo, the costs are shifted towards other sources. Figure 30 shows the existing and proposed funding sources to help maintain housing for people living in 269 units of permanent supportive housing, compared to the funding sources for the status quo.

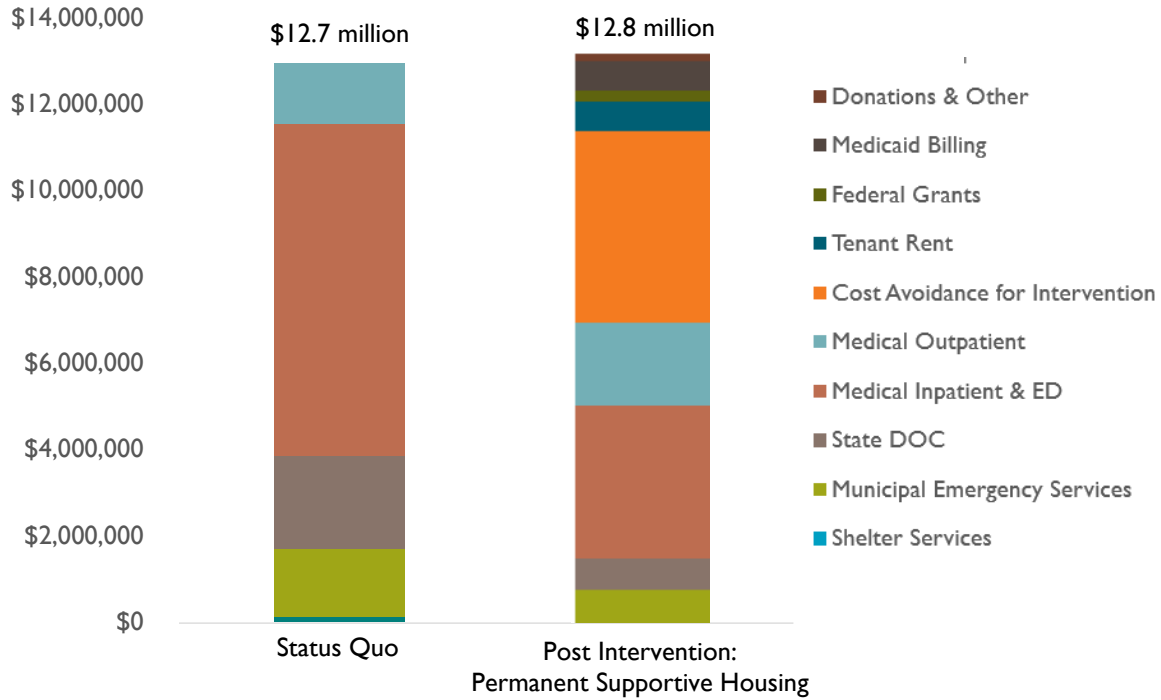
Figure 29. Per Unit Operating Cost of Permanent Supportive Housing

Item	Per Unit Operating Cost
<b>Direct Costs</b>	
Tenancy Support	\$11,645
Support Services	\$3,753
Property Operations	\$5,874
<b>Direct Subtotal</b>	<b>\$21,272</b>
<b>Indirect Costs</b>	<b>\$1,424</b>
<b>TOTAL UNIT COST</b>	<b>\$22,696</b>

<sup>16</sup> See Appendix A for citations of studies quantifying the benefits of permanent supportive housing.

<sup>17</sup> Alaska Housing Finance Corporation Alaska Rental Market Survey 2015 through 2017

Figure 30. Funding Sources for Service Utilization and Permanent Supportive Housing



Note: Estimated post-intervention funding related to Medicaid billing may be higher depending on the participation of tribal providers, who can utilize a daily encounter rate rather than billing for individual services. See Chapter 5 for additional discussion.

# 5. Sustainable Permanent Supportive Housing

## Key Findings

- Existing permanent supportive housing projects at RurAL CAP's Karluk Manor and Sitka Place indicate limited options for financial sustainability. Grant funds to cover operating costs are not growing and the services required to support the target populations are still significant.
- The amount of cost avoidance demonstrated in Chapter 4 if used to fund permanent supportive housing is adequate to cover the cost in a sustainable way.
- Shifting the medical costs to outpatient services and behavioral health and away from emergency department care and inpatient hospitalization provides a greater opportunity for cost avoidance and more appropriate utilization of health care services at lower costs and with greater opportunity to improve the individual's health and wellbeing.
- Most of the permanent supportive housing residents will be eligible for Alaska Medicaid; for those who are beneficiaries of the Indian Health Service and are served by a tribal provider, the higher tribal encounter rate may increase the sustainability of the project.

## Methodology

This chapter addresses the last two research questions:

**7. How financially sustainable is the permanent supportive housing delivery model in Anchorage? Are there ways to utilize any measurable cost avoidance to create a more sustainable model?**

**8. What are the specific solutions that make the most sense for Anchorage and Mat-Su when considering a Pay for Success model to fund permanent supportive housing?**

This chapter lays out a plan for operating 269 units of Permanent Supportive Housing in Anchorage, given the current 2018 state fiscal climate and the lack of sustainable funding to operate permanent supportive housing. Existing permanent supportive housing projects at RurAL CAP's Karluk Manor and Sitka Place indicate limited options for financial sustainability. Grant funds to cover operating costs are not growing, and the services required to support the target populations are still significant. Instead, the project team uses cost avoidance as a primary mechanism to sustain the permanent supportive housing project.

## Current Operating Costs and Revenues for Permanent Supportive Housing

Figure 31 depicts operating costs and revenues in three categories over the three years estimated to build out the project to 269 units. At Year 1, there will be 90 units; in Year 2 there will be 179 units. At \$23,000 per unit, the operating costs for all 269 units at Year 3 will total approximately \$6.1 million.

The revenue sources shown in the table will cover the operational costs and show the project breaking even. Revenue sources are divided into three categories: reliable sources, existing programs that require more funding partially from cost avoidance, and a new Pay for Success program funded from the cost avoidance outlined in Chapter 4.

The tables presented in this study outline one example of how to align funding sources, by allocating cost avoidance to fund permanent supportive housing. The programs identified are included because these sources currently fund permanent supportive housing in Anchorage. Other options will be explored by potential investors and payers during the transaction structuring phase of this project.



Figure 31. Three-Year Projections for Sustainable Permanent Supportive Housing

Item	Cost Per Unit	Year 1	Year 2	Year 3 Buildout Complete
Permanent Supportive Housing Units for Target Population (Total: 269)		90	179	269
<b>TOTAL OPERATING COSTS</b>	<b>\$22,696</b>	<b>\$2,031,556</b>	<b>\$4,063,112</b>	<b>\$6,094,669</b>
<b>Operating Revenues</b>				
<b>I. Revenue from Reliable Sources</b>				
Rent: Tenant contribution @ 30%	\$2,522	\$225,753	\$451,505	\$677,258
Medicaid Billing	\$2,605	\$233,166	\$466,331	\$699,497
Miscellaneous	\$630	\$56,366	\$112,732	\$169,098
<b>Subtotal: Reliable Operating Revenue</b>	<b>\$5,757</b>	<b>\$515,284</b>	<b>\$1,030,569</b>	<b>\$1,545,853</b>
<b>Total Operating Deficit after Applying Reliable Revenue</b>	<b>(\$16,940)</b>	<b>(\$1,516,272)</b>	<b>(\$3,032,544)</b>	<b>(\$4,548,816)</b>
<b>2. Revenue from Existing Programs (Requires Funding at Higher Levels)</b>				
MOA/Community Development Block Grant	\$494	\$44,249	\$88,499	\$132,748
MOA/Community Service Block Grant	\$311	\$27,857	\$55,714	\$83,571
State of Alaska Behavioral Health Grants*	\$1,132	\$101,340	\$202,681	\$304,021
Special Needs Housing Grant (SNHG)*	\$2,067	\$185,011	\$370,023	\$555,034
Sponsorship Vouchers*	\$2,399	\$214,693	\$429,387	\$644,080
<b>Subtotal Existing Programs</b>	<b>\$6,403</b>	<b>\$573,151</b>	<b>\$1,146,303</b>	<b>\$1,719,454</b>
<b>Total Operating Deficit After Reliable Revenues &amp; Existing Programs</b>	<b>(\$10,536)</b>	<b>(\$943,121)</b>	<b>(\$1,886,241)</b>	<b>(\$2,829,362)</b>
<b>3. Revenue from New Pay For Success Fund Using Cost Avoidance</b>				
Municipality of Anchorage Contribution Based on Cost Avoidance	\$2,574	\$230,425	\$460,850	\$691,275
State of Alaska Contribution Based on Cost Avoidance		<i>Used for new vouchers and grants, as shown above</i>		
Medical System Payers Contribution Based on Cost Avoidance (Maximum Needed)	\$8,292	\$742,224	\$1,484,448	\$2,226,672
Federal Medicaid + Medicare	\$4,833	\$432,575	\$865,149	\$1,297,724
State Medicaid	\$218	\$19,516	\$39,032	\$58,548
Non-Resourced + Private Insurance	\$3,241	\$290,133	\$580,267	\$870,400
<b>TOTAL NEW OPERATING REVENUE FROM INTERVENTION</b>	<b>\$10,866</b>	<b>\$972,649</b>	<b>\$1,945,298</b>	<b>\$2,917,947</b>
<b>TOTAL NET INCOME</b>	<b>\$330</b>	<b>\$29,528</b>	<b>\$59,057</b>	<b>\$88,585</b>

\* Note: New vouchers proposed to be funded by DOC cost avoidance; may require support from private and public foundations. Higher Medicaid billing could help offset costs. Other potential funding sources include Tribal providers for services and housing vouchers.

### **Reliable Funding**

Reliable funding sources include annual rent collected at \$2,522, with a tenant contribution of 30 percent of household income, and Medicaid billing for health services. As noted previously, if the permanent supportive housing provider is a tribal provider, the Medicaid encounter rate provides a higher reimbursement and can improve program sustainability.

### **Funding from Existing Programs: Requires Funding at Higher Levels**

Existing programs such as the Community Development Block Grant (CDBG) to the Municipality of Anchorage are assumed as revenue sources in this model. This requires that the Municipality allocate a portion of existing funding to this program, identify and secure new grant funding, or a combination of both.

The State of Alaska Division of Behavioral Health (DBH) grant for supportive services and Alaska Housing Finance Corporation's (AHFC) Special Needs Housing Grant (SNHG) could be funded at higher levels to support a permanent supportive housing program which would meet the existing missions of these entities. A new sponsorship voucher program through AHFC could be created to shift avoided costs from the Department of Corrections to support permanent supportive housing. The amount of funding identified to cover an increase in the DBH, AHFC and sponsorship voucher costs to serve 269 new people in permanent supportive housing each year is equal to the amount of cost avoidance that the state would realize through DOC from housing people in permanent supportive housing, as opposed to continuing with the status quo and returning individuals to prison. Given that the target population is approximately 50 percent Alaska Native, another potential source of funding for housing vouchers is the Indian Housing Block Grant (IHBG) funds allocated to Cook Inlet Housing Authority, the tribally designated housing entity (TDHE) for Southcentral Alaska.

### **Revenue from a New Pay for Success Fund Using Cost Avoidance**

Lastly, local medical providers, the Tribal health and social service system, and the Municipality could provide funds based on cost avoidance to their systems. The Municipality would contribute about \$600,000 annually, and local medical providers could contribute around \$2.2 million annually. Overall, payers in the medical system are projected to avoid \$3.6 million in costs by investing in permanent supportive housing. In theory, the system could net around \$1.4 million per year in avoided costs, serve a healthier community and improve working conditions in hospitals' emergency departments.

## **Capital Plan**

This plan assumes that the permanent supportive housing units will come from vacant units in a weakening rental market. In 2017, the Municipality of Anchorage experienced a 5.08 percent vacancy rate.<sup>18</sup> This is up from 3.9 percent the year before, and historically low vacancy rates in Anchorage due to previous population growth and slow production of new housing units.

If the existing supply is not adequate, low-income housing tax credits (LIHTC) and other capital sources could potentially be made available so long as housing vouchers are project based. Financing from an investor receiving a nine percent LIHTC, if secured, could likely fund a substantial amount of the capital costs; there are also non-competitive four percent LIHTC credits available, but provide a lower level of funding. More discussion of LIHTC is included at the end of this chapter.

To secure LIHTC or a commercial loan for a permanent supportive housing project, an adequate and stable net operating income (NOI) must be generated from the project. Sponsorship-based vouchers can provide

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<sup>18</sup> Alaska Housing Finance Corporation, 2017 Alaska Rental Market Survey.

more certainty for the project's rental income. Furthermore, Successful LIHTC applicants must be developers with experience attracting LIHTC investors and monitoring compliance with LIHTC post-award or they must partner with a developer who has this experience. Projects would need to be led by experienced LIHTC developers to successfully compete for nine percent tax credits and secure an investor. Recent developers of LIHTC projects include Cook Inlet Housing Authority, Glenn Gellert at Swell LLC, the Pacific Companies based in Idaho, and Glacier Park Ketchikan Associates based in Colorado.

Other options may include a combination of program-related investment from the Rasmuson Foundation or a similar entity, Anchorage-based HOME and CDBG funds managed by the Municipality of Anchorage, a new allocation of National Housing Trust Funds that will be disbursed by the Municipality of Anchorage, and possibly commercial financing.

### **About Low Income Housing Tax Credits**

Created by the federal Tax Reform Act (1986), LIHTC is an affordable housing financing tool sponsored by the U.S. Department of Treasury through the sale of tax credits to investors in return for equity financing for affordable housing projects.

The LIHTC program is the most widely used tool for affordable housing development in the country. From 1987 to 2015, 45,905 projects and 2.97 million housing units were placed into service nationwide using LIHTC equity, approximately 1,465 projects and 110,000 units per year.

In Alaska, approximately 3 to 5 projects are funded per year, resulting in 100 to 160 new units annually. The average project size is 35 units in Alaska, compared with the national average of 76 units.

To utilize LIHTC, a developer submits an application to the Alaska Housing Financing Corporation, who administers the Greater Opportunities for Affordable Living (GOAL) Program. GOAL lays out the state's rules for awarding LIHTC through the Qualified Allocation Plan (QAP). A nine percent LIHTC award, the higher tier of tax credits available, is very competitive: points are awarded based on ten priorities outlined in the state's QAP. Points are awarded for serving special needs populations, including individuals or families who are homeless. To utilize LIHTC, the project must allocate at least 20 percent of units to households with income at or below 50% of area median income (AMI), adjusted for household size, or at least 40 percent of units to households with incomes at or below 60 percent of AMI.

# Appendices

Appendix A: Permanent Supportive Housing Case Studies

Appendix B: Alaska Pay for Success Project Summary

## Appendix A: Permanent Supportive Housing Case Studies

The table below shares selected findings from more than 20 case studies of permanent supportive housing. The average change in utilization in jail and inpatient hospitalization days per person per year was used to model the estimated change in utilization for this feasibility study. Blanks in the table indicate either that the particular metric (patient days or jails days) was not measured as part of the study. The full citation follows the table.

Program Location	Corrections Utilization: Jail or Prison Days Per Person Per Year			Inpatient Utilization: Days Per Person Per Year			Source
	Pre	Post	% Change	Pre	Post	% Change	
New York, NY (jail days)	11.0	6.6	-40%	57.3	23.0	-60%	Culhane (2002)
New York, NY (prison days)	11.2	3.0	-73%				Culhane (2002)
San Francisco, CA						-57%	Trotz, Bamberger, Antonetty (2004)
Denver, CO			-76%	5.4	1.1		Perlman and Parvensky (2006)
Portland, ME	6.0	2.3	-62%				Mondello et al (2007)
California				7.7	5.6		Linkins et al (2008)
Seattle, WA	6.0	-	-100%				Larimer (2009)
Chicago, IL						-29%	Sadowski et al (2009)
Illinois	59.0	19.0	-68%			-83%	Heartland Alliance and Mid-America Institute on Poverty (2009)
Hennepin County, MN FUSE			-39%				Corporation for Supportive Housing (2011)
New York FUSE			-50%				Corporation for Supportive Housing (2011)
Massachusetts: Home + Healthy for Good	8.0	0.7	-91%				Massachusetts Housing & Shelter Alliance (2012)
Massachusetts Bay Pay for Success	1.7	0.4	-74%	5.5	2.0	-64%	Muyeba, Finn, Brigham (2017)
Knoxville, TN			-86%	1.0	1.0	0%	Knoxville Mayor's Office et al (2012)
Seattle, WA	14.2	8.7	-39%	30.4	8.5	-72%	Srebenic, Connor, Sylla (2013)
Los Angeles, CA				8.6	1.4	-84%	Flaming, Lee, Burns, Sumner (2013)
Austin, TX	11.9	3.8	-68%	1.9	1.5	-21%	ECHO (2014)
Portland, OR				4.8	1.9	-60%	CORE (2014)
Charlotte, NC			-84%	7.6	1.6	-79%	Thomas et al (2014)
San Diego, CA	28.0	10.0	-64%	46.0	17.0	-63%	Fermanian Business & Economic Institute (2015)
<b>AVERAGE CHANGE</b>			<b>-68%</b>			<b>-56%</b>	

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# Appendix B: Alaska Pay for Success Project Summary

## HUD-DOJ Pay for Success Permanent Supportive Housing Demonstration Project

### Overview: What is “Pay for Success”?

Pay for Success (PFS), also known as **social impact investing**, is a public-private financing model that connects funders, service providers, and governments, or other entities currently experiencing high costs and/or inefficient use of resources, to address a specific population in the community. Examples may include individuals with high rates of recidivism to corrections, patterns of homelessness, use of emergency services, and/or use of high cost medical care. PFS aims to achieve both positive fiscal and social outcomes.

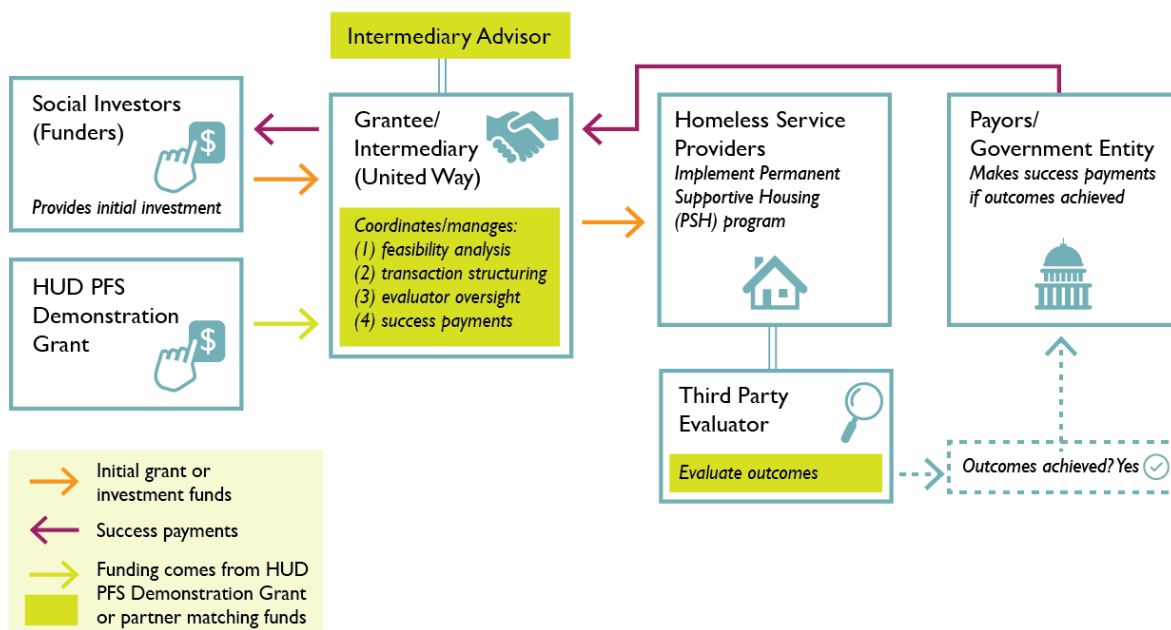
### How does it work?

The PFS model is a new way to fund effective interventions that includes a financial incentive for funders to receive a return if outcomes are achieved. It is an emerging model being tested around the country to address and redirect utilization of expensive or crisis-level public services to fund lower-cost, preventive services, in areas such as early education, housing to address homelessness, and recidivism reduction. PFS attracts private funders and impact investors to make investments for a social purpose and receive a return when the intervention produces savings, cost avoidance, or more effective use of funds for the government or other payer.

- **Government** (or another potential payer) identifies a social issue with poor outcomes from existing approaches.
- **Social Investors** like foundations, banks, businesses and others provide up front capital to a social service provider for a specific intervention to achieve identified outcomes.
- **Service Providers** deliver the services and reach or exceed predetermined outcomes for success.
- **Evaluators** measure and monitor outcomes to ensure impact is achieved.
- **Government / Payers** repays private funder’s initial investments only if outcomes are achieved.

### What is the Anchorage and Mat-Su Pay for Success project?

In 2016, United Way of Anchorage received a jointly-funded grant from HUD and the Department of Justice (DOJ) for a PFS demonstration project to provide permanent supportive housing for individuals who are frequently involved with the corrections system, have a pattern of homelessness, and may be high utilizers of emergency or other public services. The graphic below illustrates the PFS model associated with this grant.



### ***What's happening now with the Pay for Success grant?***

We are currently in the **Feasibility** phase, collecting and analyzing data about the population to identify potential cost avoidance and improvements in outcomes if permanent supportive housing is made available. Agnew::Beck (A::B) has been contracted to conduct the analysis and prepare the feasibility report.

A::B is collecting and comparing lists of individuals who have in the last 3 years:

- 1) Had multiple Department of Corrections stays
- 2) Have been identified as homeless in a Point in Time count or entered into HMIS
- 3) Have had multiple stays at Anchorage Safety Center, and other data, as available.

Once this list is established, A::B will seek data on emergency service utilization and health care costs and utilization. Individual-level data will only be used to determine the total number of people who may be part of the project's target population, and to determine their service utilization and associated costs. Using an estimate of the target population's size, estimated current costs absent the PSH intervention, estimated cost of implementing the intervention, and estimated cost avoidance if PSH is in place for this population, the analysis will demonstrate whether and how the project would be feasible in Anchorage and Mat-Su. The results of the feasibility analysis will inform the **Transaction Structuring** phase, where participating partners would design the project and negotiate shared success measures that determine if and how investors receive a return.

### ***What will happen with the data collected for the PFS Feasibility Study?***

Following the completion of the feasibility analysis, all individual data provided by the participating agencies will be destroyed. Only the aggregated findings from this data will be published in the feasibility report, for the purpose of determining whether a PFS project could likely be successful in Anchorage and Mat Su. Any subsequent data collection about individuals would not occur until the **Implementation** phase, to determine specific individuals' eligibility for participation in the project, and inform the independent evaluation that monitors the success of the project and whether success benchmarks are being met.



