County of Los Angeles
Chief Executive Office
Service Integration Branch

Project 50:
The Cost Effectiveness of the Permanent Supportive Housing Model in the Skid Row Section of Los Angeles County

Research and Evaluation Services

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Preface

A growing body of research literature demonstrates that the provision of housing to chronically homeless populations provides a critical foundation from which to address problems in the areas of physical health, mental health and substance abuse. A consensus is also emerging among researchers to the effect that the permanent supportive housing model – in which chronically homeless individuals are provided with housing as well as services and intensive case management – is not only humane but also fiscally prudent insofar as it tends to be considerably less expensive than what takes place when homeless persons are left on the streets and forced to address their health and substance abuse problems through emergency systems of care, and in a fragmented fashion. The present report evaluates Project 50, a Board of Supervisors demonstration project that provides housing and integrated services to some of the most vulnerable, chronically homeless adults living in the Skid Row section of Los Angeles. The program offers policymakers a test case of the viability of the permanent supportive housing model in Los Angeles County. The bulk of this report looks at Project 50 from the standpoint of a cost avoidance analysis and shows that, between 2008 and 2010, the program not only saved the County money but actually yielded a surplus. While $3.045 million was invested in Project 50, the program yielded cost savings of $3.284 million over the two-year observation period, a surplus of $238,700, or $4,774 per occupied housing unit over two years (an occupied housing unit refers to one housing unit occupied by one person). Mental health and substance abuse treatment costs increased for the program's participants, primarily because acute problems in these areas had remained largely unaddressed prior to the admission of participants to Project 50, but these increases were more than offset by savings in the areas of incarceration and medical services. In an effort to add qualitative information to the cost savings results and gain a better understanding of Project 50's functionality and the effectiveness of its homelessness prevention methods, this report additionally features the results of focus group interviews conducted with participants and program staff. The qualitative results highlight the practices that have enabled the program to generate such dramatic cost savings results, showing that Project 50 is proactive and responsive in creating the basic conditions necessary for persons with severe barriers and long histories of life on the streets to begin to achieve greater self-sufficiency and stability. Taken together, the cost savings and qualitative results paint a picture of an efficient and effective approach to the problem of homelessness, one that is well worth replicating in other parts of Los Angeles County.

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Key Findings Presented in this Report

- Over this report's two-year study period, Project 50 yielded total cost offsets of $3.284 million, which is 108 percent of the money the program actually spent ($3.045 million) in providing its participants with services and housing. Project 50 therefore returned to the County more than the amount invested in the program, generating a surplus of $4,774 per occupied unit over two years (an occupied housing unit refers to one housing unit occupied by one person).

- A comparison of incarceration costs for Project 50's participants with those of a demographically similar group of homeless adults who did not participate in the program reveals that, while incarceration costs declined by 28 percent for those in Project 50 after their first year in the program, costs increased by 42 percent over the same period for the group of non-participants. Put differently, the comparison group tended to cost more over time while incarcerated, whereas Project 50 participants reduced their incarceration episodes significantly.

- Medical costs for both the Project 50 group and the comparison group declined over the two-year period over which they were observed. However, these costs declined much more steeply for the Project 50 group. Medical costs over this period declined by 68 percent for Project 50 participants, versus a decline of only 37 percent for the comparison group.

- Mental health treatment costs for Project 50 participants increased by 367 percent over the two-year period in which they were observed in relation to the comparison group. Mental health treatment costs for the comparison group increased by 200 percent over the observation period. The larger increase for the Project 50 group may indicate that prior to entry in the program, Project 50 participants had unaddressed mental health issues and after entry in the program they had greater access to mental health treatment.

- Substance abuse treatment costs increased for the Project 50 group over the first year of program participation relative to the year prior to participation, but these rising costs were less than the substance abuse service cost increases for the comparison group over the same period. While these costs increased by 60 percent for the Project 50 group, costs almost doubled for the comparison group, from $1,997 to $3,961 per occupied housing unit between the pre- and post-program years. As is the case with mental health treatment costs, the rising costs of substance abuse treatment for Project 50 participants was likely a function of problems that were unaddressed prior to their admission to the program.

- Cost increases in the areas of mental health and substance abuse treatment for the Project 50 group were more than offset by savings in the areas of incarceration and medical services. These offsets yielded a total surplus for the program of $238,700 over the two-year observation period, which translates into a $4,774 surplus per occupied housing unit.