ANCHORAGE MAT-SU PAY FOR SUCCESS PERMANENT SUPPORTIVE HOUSING PROJECT

AUGUST 2018

Presentation to the Alaska Mental Health Trust Authority Board of Trustees
HOMELESSNESS AMONG THE MOST VULNERABLE IS PARTICULARLY CHALLENGING—AND PARTICULARLY EXPENSIVE

- Approximately 1,100 people experience homelessness, and an estimated 300-400 are adult “frequent users” of public services who cycle in and out of jail, shelters, emergency rooms, and other intensive social services.
- Failing to meet their housing and service needs creates dispersed costs which fall upon cities, boroughs, state, and Federal government, local businesses, and the homeless themselves.
- Dispersed costs have created roadblocks to collective action, causing community stakeholders to manage, rather than solve, this complex issue.

**Homelessness in Anchorage**

1,094 homeless

~330 frequent users

**Cost of the status quo for Anchorage or Mat-Su (per person, per year)**

<table>
<thead>
<tr>
<th>Department</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Services</td>
<td>$5,400</td>
</tr>
<tr>
<td>Department of Corrections</td>
<td>$8,277</td>
</tr>
<tr>
<td>Health Payors</td>
<td>$33,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$47,413</strong></td>
</tr>
</tbody>
</table>

1. Anchorage HMIS, 2018 Point-in-Time Count. 2. Agnew::Beck, “Pay for Success Feasibility Study,” May 2018. The target population includes individuals with 2+ releases from 9/2014-9/2017, and at least 1 within the most recent year; 3+ encounters with homeless services 1/2015-1/2018; and an estimated Vulnerability Index – Service Prioritization Decision Assistance Tool (Vi-SPDAT) of 9 or above. 3. Ibid.
PERMANENT SUPPORTIVE HOUSING (PSH) IS AN EVIDENCE-BASED APPROACH TO ADDRESSING CHRONIC HOMELESSNESS

- Permanent Supportive Housing (PSH) combines housing and services designed for people with serious mental illness and disabilities\(^1\)
- A significant body of evidence suggests PSH promotes long-term housing stability, improved physical and behavioral health outcomes, and reduced use of crisis services
- The estimated reduced utilization of homeless services, prisons, and medical services makes PSH a cost effective approach for outcome payors\(^2\)

### Estimated cost with permanent supportive housing (per person, per year)\(^3\)

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost</th>
<th>Description</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Services</td>
<td>$2,895</td>
<td>Includes police, fire, Anchorage Safety Center</td>
<td>-48%</td>
</tr>
<tr>
<td>Department of Corrections</td>
<td>$2,678</td>
<td>Includes cost of prison/recidivism</td>
<td>-68%</td>
</tr>
<tr>
<td>Medical system</td>
<td>$19,735</td>
<td>Includes emergency, inpatient, outpatient services</td>
<td>-41%</td>
</tr>
<tr>
<td><strong>Total (less PSH)</strong></td>
<td><strong>$25,314</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Cost of PSH                   | + $22,696     |                                                  |
| **Total Costs**               | **$48,010**   |                                                  |

\(^1\) "Implementing Housing First in Permanent Supportive Housing," United States Interagency Council on Homelessness, SAMSHA. Services include case management, substance use/mental health counseling, advocacy, and assistance locating and maintaining employment. \(^2\) Agnew:Beck, May 2018. PSH cost is based on single site, non-tribal provider (RurAL CAP). Costs will fluctuate depending on the type of provider, and key inputs including rental assistance and the Medicaid billing rate. \(^3\) Ibid.
TO OVERCOME THE DISPERSED BENEFITS OF PSH, PAY FOR SUCCESS (PFS) OFFERS A MECHANISM TO POOL FUNDING AND TRANSFER RISK

What is Pay for Success (PFS)?

PFS is a contracting and financing mechanism that helps governments and/or private entities to link payment and performance.

Why Pay for Success (PFS)?

Instead of buying expensive services upfront, PFS allows governments to pay only if programs successfully deliver predetermined outcomes aligned with their policy goals.

Performance risk is transferred away from governments to private funders, who cover the upfront costs of service delivery while performance is measured and outcome payments are determined.

**Funders**
- Provide upfront funding to cover the cost of service delivery
- Includes philanthropies, mission-driven financial institutions, institutional investors, high-net worth individuals
- Opportunity to make community investments with measurable social return
- Contractual mechanism for sustained payor investment in programs that work

**Outcome Payors**
- Government and/or private entities that pay for positive outcomes as they are achieved
- Outcomes predetermined in the PFS contract; performance validated by a third party evaluator
- Measurable cost savings
- Better long-term outcomes
- Rigorous data that demonstrates what solutions work best
## Project parameters

<table>
<thead>
<tr>
<th>Geography</th>
<th>Austin/Travis County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project term</td>
<td>~5 years (2019-2023)</td>
</tr>
<tr>
<td>Target population</td>
<td>Persons experiencing chronic homelessness who represent the most frequent utilizers of the healthcare and criminal justice systems</td>
</tr>
<tr>
<td>Intervention</td>
<td>PSH with Modified Assertive Community Treatment</td>
</tr>
<tr>
<td>Number served</td>
<td>200-250 units</td>
</tr>
<tr>
<td>Payment metrics</td>
<td>Housing stability, healthcare utilization (e.g., emergency department visits and hospitalizations), &amp; criminal justice utilization (e.g., jail bookings and days)¹</td>
</tr>
<tr>
<td>Total outcome payments</td>
<td>~$15-16M</td>
</tr>
<tr>
<td>Evaluation</td>
<td>TBD</td>
</tr>
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## Timeline

**2016**  
Corporation for Supportive Housing (CSH) completed feasibility study  
Awarded HUD/DOJ grant

**2018**  
Launched 24-unit pilot to build provider capacity and refine operations  
**Spring:** Secured outcome funding commitments from City of Austin, Travis County, Central Health, Community Care Collaborative, & Episcopal Health Foundation²  
Initiated evaluator selection process

**Summer:** Complete program design, draft contract, set evaluation plan, determine payment schedule  
**Fall:** Execute PFS Agreement, capital raise

**2019**  
Launch services

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¹ Criminal justice may be tracked as only a learning metric  
² Subject to board approval
PROJECT STATUS

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>HUD/DOJ grant awarded</td>
<td>December 2016</td>
</tr>
<tr>
<td>Feasibility study (completed by Agnew::Beck)</td>
<td>May 2018</td>
</tr>
<tr>
<td>Transaction structuring</td>
<td>In progress</td>
</tr>
<tr>
<td>Implementation PSH expansion</td>
<td>December 2018</td>
</tr>
</tbody>
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**Project Partners - Proposed**

- **Payors**: Municipality of Anchorage, Department of Corrections, local hospital systems, HUD/DOJ
- **Funders**: Rasmuson Foundation, other local and national funders
- **Service providers**: To be determined
- **Intermediary**: United Way of Anchorage
- **Technical assistance**: Agnew::Beck, Social Finance, Corporation for Supportive Housing
**PROJECT TIMELINE**

**HUD/DOJ grant awarded December 2016**

- **Phase 0**
  - Project Development
  - 2017-2018
  - Pay for Success feasibility study
  - PSH capacity-building
  - PFS transaction structuring
    - Project design
    - Evaluation
    - Legal and contracting
    - Economic model
    - Financing and capital raise
    - Operations planning
  - Results: Executed PFS Agreement and completed capital raise
  - Begin 12-unit PSH pilot

- **Phase 1**
  - PFS PSH Expansion
  - 2019-2022
  - Year 1: +78 PSH units (90 total)
  - Year 2: +90 PSH units (180 total)
  - Year 3: +90 PSH units (270 total)
  - Year 4: Continue services, measure outcomes
  - Year 1: Philanthropic funding kick-starts PSH
  - Years 2-4: PFS Funding Mechanism
    - Funders provide upfront capital for PSH expansion and services
    - Outcome payors commit money to an outcome fund, make payments based on outcomes achieved

- **Phase 2**
  - Sustainable PSH
  - 2023 and beyond
  - Outcomes payors will sustain the 270 PSH units in Phase 3 to the extent that this intervention is successful in producing desired outcomes