

The High Costs of Cutting Mental Health

Homelessness

Cutting mental health budgets can contribute to higher costs resulting from increased homelessness. When adults living with serious mental illness cannot get adequate treatment or services, they often end up on the street. According to the Substance Abuse and Mental Health Services Administration (SAMHSA), about one in four homeless persons struggle with severe mental illness.¹

Lack of housing causes people with serious mental illnesses to cycle among hospitals, shelters, the streets or jails at very high costs.² According to a large 2001 study, homeless New Yorkers diagnosed with a mental illness used an average of \$40,449 in services annually.³

Addressing homelessness for people with serious mental illness requires "supportive housing," a combination of both affordable housing and mental health services. The most successful approach, "housing first," provides permanent housing followed by voluntary, supportive services.⁴ Federal support alone does not meet local needs. State, county and local investments are needed both to help address needs and to avoid making current problems greater.

Housing is unaffordable for many who live with serious mental illness. The average Supplemental Security Income (SSI) payment in 2008 was almost 30 percent below the federal poverty level for a one-person household. Federal housing affordability guidelines state that low income households should pay no more than 30 percent of monthly income for housing. Yet, the average cost of a studio/efficiency apartment is more than 99 percent of the monthly income of an individual with a psychiatric disability who relies on SSI—and a modest one bedroom rental averages over 112 percent.

By the Numbers

26% of the homeless population lives with severe mental illness—more than four times the rate of serious mental illness in the general population.⁵

About 150,000 to 200,000 chronically homeless individuals nationwide use more than 50% of the services. Individuals who are chronically homeless often have a serious mental illness, a complex medical problem and/or alcohol or drug addiction.⁶

An estimated 131,000 Veterans are homeless on any given night. 45% of these Veterans live with mental illness.⁷

75% of the most frequent users of health and criminal justice services were diagnosed with a mental illness or substance use problem. 54 individuals in a study accounted for an average yearly cost of \$171,292 in criminal justice encounters alone.⁸

Saving Money, Saving Lives

Spending money saves lives, but investment in supportive housing and mental health services also saves money.

- In New York, a study of 10,000 homeless people found that homeless persons living with mental illness cost \$40,449 in publicly funded services a year for use of emergency rooms, hospitals, shelters and incarceration. After placement in supportive housing, there was an 86 percent drop in the number of shelter days per person, a 60 percent drop in state hospital use and an 80 percent drop in the number of public hospital inpatient days. Researchers also found that housing cut incarceration rates in half for homeless persons living with mental illness.⁹
- The city of Portland, Ore., found that 35 chronically homeless individuals each required over \$42,000 in public resources per year. After these

Comparison of Cost of Monthly Rental to Average SSI Income of \$668



individuals entered permanent supportive housing, the city saved over \$16,000 per program participant.¹⁰ Similarly, New York's Housing First initiative produced annualized savings of \$16,281 per housing unit.¹¹

- Without mental health care or supportive housing available at the front end, too many Americans living with mental illness end up in the nation's jails and prisons.¹² The cost is high: an average of \$65.25 per day in local correctional facilities.¹³

- Inmates diagnosed with a mental illness are homeless at the time of arrest at more than twice the rate of other inmates.¹⁴ Participants in a supportive housing program experienced an 85 percent reduction in days spent incarcerated in prison.¹⁵

Endnotes

¹ *Homelessness - Provision of Mental Health and Substance Abuse Services*. <http://mentalhealth.samhsa.gov/publications/allpubs/homelessness/>. Visited 12/9/2009.

² Burt, M. R., *What Will It Take to End Homelessness?*, Urban Institute Brief, Urban Institute, (2001).

³ Culhane, D. P., Metraux, S. and Hadley, T. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing," *Housing Policy Debate*, (2002).

⁴ *Chronic Homelessness*, National Alliance to End Homelessness, (March 2007).

⁵ *Hunger and Homelessness Survey, A Status Report on Hunger and Homelessness in America's Cities*, The U.S. Conference of Mayors, (December 2008).

⁶ *Chronic Homelessness*, National Alliance to End Homelessness, (March 2007).

⁷ U.S. Department of Veterans Affairs, *Overview of Homelessness*. www1.va.gov/homeless/page.cfm?pg=1. Visited 12/9/2009.

⁸ *Serving the Homeless Could Save Taxpayer Dollars*, Indiana University Center for Health Policy, (July 2007).

⁹ Kupersanin, E., "Getting Homes for Homeless is Cost-effective," *Psychiatric News*, (June 1, 2001).

¹⁰ *Chronic Homelessness*, National Alliance to End Homelessness, (March 2007).

¹¹ Culhane, D. P., Metraux, S. and Hadley, T. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing," *Housing Policy Debate*, (2002).

¹² *Achieving the Promise: Transforming Mental Health Care in America*, New Freedom Commission on Mental Health, (2003).

¹³ Rowland, M., *Memo re: Cost of Incarceration and Supervision*, Administrative Office of the U.S. Courts, (May 6, 2009).

¹⁴ James, D. and Glaze, L. "Mental Health Problems of Prison and Jail Inmates," *Bureau of Justice Statistics Special Report*, U.S. Department of Justice, (September 2006).

¹⁵ Culhane, D. P., Metraux, S. and Hadley, T. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing," *Housing Policy Debate*, (2002).