

NATIONAL CENTER FOR
HOUSING
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**SUPPORTIVE SERVICES
TRANSFORMATION FUND**

JULY, 2025

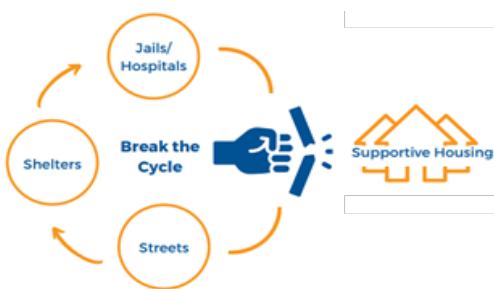


REDUCING HOMELESSNESS WITH HOME AND COMMUNITY-BASED SERVICES

The affordable housing crisis across America makes finding a place to live challenging for anyone. For individuals with cognitive, physical, or mental health needs, the challenge is even greater. Access to supportive services for people with complex health or behavioral health needs can be the key to preventing homelessness, avoiding costly crisis responses or institutionalization, and living healthy, productive lives.

Affordable housing paired with home and community-based supportive services is known as **supportive housing**. Supportive housing is a **sustainable and cost-effective** data-driven model that helps individuals with complex care needs live more productive lives by increasing housing stability, improving access to health and mental health services, and creating pathways to employment.

PROBLEM: SUPPORTIVE SERVICES ARE CHRONICALLY UNDERFUNDED



Currently, 1.1 million households nationwide need supportive housing¹. This includes both individuals and families who are homeless and/or cycle through crisis response systems and institutional settings such as nursing homes, foster care, hospitals, jails, shelters, or group homes due to a lack of affordable housing with supportive services. These settings fail to provide the necessary long-term housing and health cycle support. Without supportive housing, people continue to cycle through these institutions, often being discharged back to the streets to restart the cycle.

¹ See *CSH Supportive Housing Needs Assessment*. Available: <https://www.csh.org/supportive-housing-101/data/#Need>

This cycle is costly with jurisdictions spending \$15,000 or more per person per year on public services like emergency shelters, public safety (e.g. EMS, 911, detox facilities), emergency department visits, jail stays, and more². In contrast, supportive housing increases stability while also reducing spending on these services by up to **\$6,875** per person per year³. Lack of available funding for services remains a significant barrier to developing more supportive housing though.

SOLUTION: A STATE SUPPORTIVE SERVICES TRANSFORMATION FUND

To address the funding gap, states can use Medicaid waivers or adapt the Medicaid state plans to finance services⁴. A comprehensive package of wraparound services— including healthcare, behavioral healthcare, and housing-related services⁵— is essential for the success of both supportive housing residents and to achieve the described cost-offsets. While Medicaid can be the primary source of services funding, most state Medicaid plans have not been updated to include these necessary services. Consequently, Medicaid covers only a portion of the total annual expenses for supportive housing.

Until state Medicaid plans are updated, legislatures can appropriate state dollars to create a **Supportive Services Transformation Fund (SSTF)**. The SSTF acts as a funding bridge for non-Medicaid eligible expenses until these costs become reimbursable through Medicaid. Over time, states can reduce SSTF funds as Medicaid reimbursements increase. **By establishing this funding bridge, states can quickly reduce reliance on crisis response and institutional settings.**

SSTF has three components:

- **Supportive Services Grants:** The grants program is the main feature of any SSTF. This program awards grants to service providers to increase the availability of non-Medicaid eligible services. Funds assist individuals with disabling behavioral or physical health conditions who are homeless, at risk of homelessness, or are unnecessarily institutionalized.
- **Capacity Building:** Resources are provided for technical assistance and capacity building funding, allowing service providers to develop and sustain high-quality service delivery systems and build administrative capacity to leverage and bill Medicaid. These funds are typically available for the first three years of the Supportive Services Grants program.
- **Evaluation:** A portion of the funds is allocated to conduct a statewide supportive housing needs assessment and evaluate the outcomes of the Supportive Services Grant program. This helps the state assess current investments, understand the supportive housing and services gaps, and track the grant program's progress.

² See *Cost and Offsets of Providing Supportive Housing to Break the Homelessness-Jail Cycle. Findings from the Denver Supportive Housing Social Impact Bond Initiative*. Available: https://www.urban.org/sites/default/files/publication/104499/costs-and-offsets-of-providing-supportivehousing-to-break-the-homelessness-jail-cycle_0.pdf

³ See *Analyzing the Cost and Offsets of Denver's Supportive Housing Program*.

Available: https://www.urban.org/sites/default/files/publication/104495/analyzing-the-costs-and-offsets-of-denvers-supportive-housing-program_2.pdf

⁴ CSH Summary of State Action Medicaid and Supportive Housing Services. Available: <https://www.csh.org/wp-content/uploads/2024/05/CSH-Summary-of-State-Action-Medicaid-and-Supportive-Housing-Services-Updated-Spring-2024.pdf>

⁵ Housing-related services can include assistance with finding an apartment, understanding leases, budgeting, relationship navigation with landlords, and, in some instances, locating short term housing options.

CASE STUDY #1: MICHIGAN

Michigan appropriated \$20 million in 2024 for a Supportive Services Transformation Fund. The appropriation provides grants to supportive housing services providers across the state and builds on the \$6 million appropriation for the Supportive Services Pilot Program the legislature passed in 2022. Additionally, it will boost capacity by hiring more caseworkers and staff to reduce caseload sizes and enhance service delivery. While more detailed outcomes will be available in 2025, preliminary results show that funding has enabled providers to spend more time with high-needs supportive housing tenants and hire new therapists. Anticipated outcomes include tenants staying housed longer, increased tenant income and employment, and improvements to tenant physical and mental health.

CASE STUDY #2: NEVADA

In 2025, Assembly Bill 366 was passed, establishing the Nevada Supportive Housing Development Account and appropriating \$21 million for a supportive housing services package designed to help individuals obtain and maintain stable housing⁶. This legislation builds on the original Supportive Housing Development Fund, which was launched in 2023 through Assembly Bill 310 with a one-time \$32 million appropriation⁷, by making it a permanent line item in the Governor's biennial budget. It also requires the Governor to submit justification to the Legislature if the funding is not included in the executive budget. The 2023 initiative additionally allocated \$1.5 million to build long-term capacity among housing developers and service providers, and \$700,000 for a statewide supportive housing needs assessment and evaluation of service outcomes. The evaluation will study participants' health and behavior outcomes and the public spending on housing and services. This evaluation will examine participants' health and behavioral outcomes, as well as public spending on housing and services, comparing these costs to those incurred when individuals cycle through institutional and crisis systems.

The establishment of state Supportive Services Transformation Funds, as demonstrated by Michigan and Nevada, provides a viable pathway to bridge funding gaps and enhance service delivery. These initiatives show promising early results, indicating that with adequate funding and strategic implementation, supportive housing can significantly improve the lives of individuals with complex needs while increasing cost efficiencies. By investing in these funds, states can ensure that service providers have the necessary resources to offer comprehensive, high-quality care. This not only addresses immediate housing and health needs but also fosters long-term stability and self-sufficiency among residents. The positive outcomes observed in Michigan and Nevada highlight the potential for these programs to be scaled and adapted to meet the unique needs of different communities across the country. As more states adopt the SSTF funding model, the collective impact on public health, housing stability, and economic efficiency will become increasingly evident, paving the way for a more sustainable and supportive housing system nationwide.

⁶ Nevada Assembly Bill 366. Available: https://www.leg.state.nv.us/Session/83rd2025/Bills/AB/AB366_EN.pdf

⁷ Nevada Assembly Bill 310. Available: <https://www.leg.state.nv.us/App/NELIS/REL/82nd2023/Bill/10159/Text#>