Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 629 (Senator Teitelbaum, *et al.*)
Finance

Health Care Facilities - Recovery Housing Programs

This bill establishes a recovery housing program (RHP), a residence-based program that provides housing and supportive services that meet the needs of individuals diagnosed with a mental disorder.

Fiscal Summary

State Effect: The Department of Health and Mental Hygiene (DHMH) general fund revenues and expenditures each increase by $356,800 in FY 2006. Future year estimates reflect annualization and inflation.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	$356,800	$440,500	$464,900	$491,100	$519,300
GF Expenditure	356,800	440,500	464,900	491,100	519,300
Net Effect	$0	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: To the extent the provision of stable housing reduces individuals' needs for locally-provided health care, corrections, and homeless programs, local jurisdiction expenditures could decrease.

Small Business Effect: Minimal.

Analysis

Bill Summary: DHMH must:

- serve as the point of entry for persons desiring information on RHPs;
- provide other State agencies that routinely receive inquiries from the public about RHPs with information that will enable the agencies to respond to the inquiries accurately and effectively;
- delegate various aspects of its responsibilities to monitor and inspect RHPs to the Department of Human Resources (DHR), through an interagency agreement;
- define different levels of recovery housing;
- require all RHPs to be licensed, certified, or registered to operate;
- develop a waiver process for authorizing an RHP to continue to care for a resident whose medical or functional condition has changed since admission to the program to the extent the level of care required by the resident exceeds the level of care for which the program is licensed, certified, or registered;
- promote affordable and accessible RHPs throughout the State;
- establish and enforce quality standards for RHPs;
- require initial and periodic inspections of RHPs, including unannounced on-site inspections;
- establish requirements for the qualifications and training of RHP facilities; and
- establish a "resident bill of rights."

DHMH may charge a fee that will produce funds not to exceed the actual cost to DHMH for inspecting RHP facilities and maintaining licensure, certification, or registration. The bill specifies zoning requirements an applicant must meet to be considered an RHP.

Current Law: Assisted living facilities are licensed and regulated by the State. DHMH's Mental Hygiene Administration has oversight over community health programs, which provide for individuals with mental health disorders, a plan of treatment or rehabilitation, consisting of various therapeutic modalities. These programs are approved by DHMH and are eligible to receive State and federal funding. One type of program is called a Residential Rehabilitation Program, which provides services that promote the individual's ability to participate in appropriate community activities and enable the individual to develop the daily living skills needed for independent living.

Background: About 110,000 adults with severe mental illness are homeless in the U.S. Policy makers have begun to experiment with supportive housing programs to address the multiple needs of homeless individuals with mental illness. Supportive housing generally takes two forms: supportive housing units (subsidized housing with community-based psychosocial services) and community residences (psychosocial services provided on-site). Of the two, housing linked to community-based services is less expensive to provide.

In 1990, New York State and New York City collaborated to jointly fund 3,600 housing units for homeless individuals with mental disorders. The program was studied to determine whether the costs of providing supportive housing to homeless individuals were greater than the costs of services they would use if they remained homeless.

The study tracked 4,679 homeless people placed in supportive housing between 1989 and 1997. It examined the use of other services including public shelters, city public hospitals, Medicaid-funded services, veterans' hospitals, state psychiatric hospitals, state prisons, and city jails. Without supportive housing, each homeless person used an average of $40,500 per year in publicly-funded services. Of this, 86% of the costs stemmed from the health care system, 11% were emergency shelter costs, and 3% were prison and detention costs. The study found that a person placed in supportive housing used $12,145 less in publicly-funded services. The average annual cost to provide supportive housing services was about $13,570 per person, or $1,425 more to provide housing.

State Fiscal Effect: DHMH advises general fund expenditures would increase by $1.54 million in fiscal 2006 to conduct inspections and handle complaints related to RHPs. This estimate assumes the Office of Health Care Quality (OHCQ) would need 25 health facility surveyor nurses to inspect 1,000 facilities that qualify to be RHPs. Legislative Services disagrees. According to U.S. Census data, there are about 170,000 homeless individuals in the U.S., of which about 2,500 live in Maryland. These data are based on the number of individuals who have used emergency and transitional shelters and may not reflect the entire homeless population, which may be higher because not all homeless people use shelters. Therefore, it is estimated that 2,500 individuals in the State would seek housing in an RHP annually, since these individuals have sought some type of shelter in the past. It is assumed that inspection and complaint investigation needs for these facilities are analogous to those for assisted living programs. Currently, OHCQ is significantly understaffed and cannot appropriately survey existing facilities. If adequately staffed, however, OHCQ would have 40.7 surveyors for 17,724 assisted living facility beds. At the same ratio, OHCQ would need six surveyors to inspect RHPs. Therefore, it is estimated that DHMH general fund expenditures could increase by $356,790 in fiscal 2006, which reflects the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring six health facility surveyor nurses and one office secretary to inspect and investigate complaints for RHPs. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Salaries and Fringe Benefits	$291,906
Operating Expenses	64,884
Total FY 2006 State Expenditures	**$356,790**

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

DHMH general fund revenues could increase by $356,790 in fiscal 2006. DHMH may charge a fee to RHPs to cover the costs of inspection. It is assumed DHMH would charge a licensure fee to exactly offset expenditures associated with inspection and complaint investigation. It is unknown how many RHPs would apply for licensure; however, if each bed were charged a licensure fee to cover costs, the annual licensure fee would be about $145 per bed.

Any delegated oversight or inspection duties delegated to DHR could be handled with existing DHR budgeted resources.

To the extent the provision of stable housing reduces homeless individuals' needs for mental health hospitalization or reduces incidences of crime, State expenditures for State hospitals and prisons could decrease by a potentially significant amount. There are insufficient data at this time to reliably estimate any reduction.

Additional Information

Prior Introductions: None.

Cross File: HB 847 (Delegate Nathan-Pulliam, *et al.*) – Health and Government Operations.

Information Source(s): *The New York/New York Agreement Cost Study: The Impact of Supportive Housing on Services Use for Homeless Mentally Ill Individuals (May 2001)*; Center for Mental Health Policy and Services Research; University of Pennsylvania; Corporation for Supportive Housing; Leonard Davis Institute of Health Economics; Department of Health and Mental Hygiene (Office of Health Care Quality); Department of Human Resources; Department of Legislative Services

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