Braiding and Layering Funding to Address Housing: Individuals with Substance Use Disorders

Introduction

Having a stable and safe place to live is recognized as fundamental to recovering from substance use disorders (SUDs). Yet, persons with SUDs often have unsafe or otherwise untenable housing, with many experiencing homelessness, presenting challenges to initiating and/or sustaining recovery. Further, the burden of disease is disproportionate among SUD communities of color, which requires policymakers to acknowledge racial disparities in programming. In addition to individual-level barriers to accessing housing, there is a lack of supportive, long-term funded housing, and often initiatives are limited in resources or programming, and have limited long-term funding streams. Systematic barriers include:

- Variations in SUD housing definitions and language.
- SUD housing providers’ inability to connect with one another for information and support, and their lack of eligibility for different streams of support.
- Availability of funds and ability to access them.
- Restrictions in federal, state, and local housing regulations and codes.

State and territorial health agencies (S/THAs) can support housing for persons with SUDs by (1) promoting interagency collaboration; (2) identifying new funding mechanisms, such as through Medicaid expansion or other state or federal grant programs; (3) collaborating with other state and local partners to advance shared goals; and (4) developing awareness of different housing options for persons with SUDs and those seeking recovery housing.

This document provides examples of braiding and layering funding streams to support a range of housing options for individuals with SUDs. Solutions may not be portable between states or territories, but S/THAs can consider these examples and adjust them to fit their own jurisdictions. S/THAs may also find that they have opportunities to braid funding indirectly, with different state or territorial agencies coordinating on two parallel but connected funding opportunities.

This document is organized into two sections based on the primary source of the funding streams: (1) funding streams primary focused on health and well-being outcomes, and (2) those focused on addressing short or long-term housing needs for individuals with substance use disorders. The document explores several strategies for each section, and each strategy includes an overview of the approach, a related case study, and strategic implementation tips.

Braided and Layering Funding: Health Funding Streams

Medicaid Waiver Programs

Overview and Funding

While Medicaid is governed by a substantial body of federal law, state and territorial health officials can use Medicaid program waivers to test new approaches to service delivery and better meet Medicaid beneficiaries’ needs. In some instances, these waiver programs address issues closely related to health, including housing, rather than focusing solely on the provision of direct healthcare services.
Among other requirements, Medicaid waivers must demonstrate “budget neutrality,” meaning that the cost of activities in the waiver will be no greater than what they would have been in the absence of the waiver. States and territories often use 1115 waivers for experimental, pilot, or demonstration projects to evaluate state-specific policy approach.

**Overall Strategy**

S/THAs can use Medicaid waivers to better tailor Medicaid programs to address housing by crafting smaller programs that use state and federal Medicaid funding in conjunction with services provided by community-based organizations equipped to understand local needs. These organizations may promote care coordination and reduce duplication of services, which would otherwise not be possible in a complex, siloed system of care. Waivers also allow agencies to experiment with different programs to support housing that would otherwise not be possible under traditional Medicaid rules and regulations.

**Case Study: Alaska’s Medicaid 1115 Waiver**

Alaska’s Medicaid 1115 waiver implementation plan, currently under proposal, includes using a portion of the state’s Medicaid 1115 waiver for a 24-hour supportive living environment with at least 5 hours of low-intensity treatment per week as part of SUD treatment. The waiver allows for reimbursement of care coordination for SUD services, allowing a care coordinator to address patients’ medical, behavioral health, social, and legal needs, including linking individuals with community resources to facilitate referrals and respond to social service needs and tracking and supporting individuals when they obtain medical, behavioral health, or social services. The plan aims to strengthen Alaska’s SUD treatment continuum of services by both increasing the benefits offered to Medicaid recipients and using evidence-based SUD program standards.

Alaska’s waiver also allows for intensive case management services, where the case manager begins with the behavioral health service needs of the client and identifies other resources as appropriate, broadly focusing on community-based behavioral health provider-specific services, including housing and employment. The waiver goal includes establishing 110 clinically managed low-intensity residential services dispersed among nine regions in the state and 24 beds for high-intensity residential services for adults. Ultimately, the state aims to establish a structured recovery environment that provides sufficient stability and support for individuals while seeking education and/or employment.

**Case Study: Washington State’s Medicaid 1115 Waiver**

Under Washington state’s Medicaid 1115 waiver, supportive housing and supportive employment is allowable through foundational community supports for more vulnerable Medicaid beneficiaries. The services are designed to promote self-sufficiency and recovery by helping participants find and maintain stable housing and employment. In order to qualify, individuals must be at least 18, Medicaid-eligible, and meet one assessed health needs-based criteria, including the need for outpatient substance use disorder treatment.
One such housing support in Washington is through Lydia Place, which pairs a permanent, income-based rental subsidy with long-term care management to create a comprehensive supportive housing program. Residents must participate in case management for as long as they live in their unit, and the state currently has more than 70 designated apartment units for families with children, in partnership with the Bellingham Housing Authority. Part of the permanent supportive housing strategy includes rapid rehousing, and the program provides move-in costs along with a short-term tapering rental subsidy for clients approved for housing in the private-rental market. Funding for the program includes city, county, and state government funds, including Medicaid, rental income, local housing authority funding, individual and business contributions, fundraising, and foundation grants.

Key Takeaways
Medicaid 1115 waivers may be used to provide flexibility and tailor program to address the housing needs of individuals with substance use disorders through use of state and federal Medicaid funding in conjunction with services provided by community-based organizations equipped to understand local needs.

Discretionary Grant Programs
Overview and Funding
Several discretionary competitive grant programs managed by the Substance Abuse and Mental Health Services Administration (SAMHSA) support housing for persons with SUDs and/or with behavioral health needs who are experiencing homelessness or housing insecurity. Two programs of note are the Cooperative Agreements to Benefit Homeless Individuals (CABHI) and Grants for the Benefit of Homeless Individuals. Because these programs are discretionary, they may be subject to budget cuts. Additionally, some of the grant opportunities may be available specifically for state behavioral health, substance use, and/or mental health agencies, or for local jurisdictions or community-based organizations, rather than directly for the S/THA. Thus, the health agency may not apply for the funding directly but be able to partner on a shared goal or serve as a convener or expert for the funded partner.

Overall Strategy
CABHI is a competitive grant program that is open to state mental health authorities or the state agency for substance abuse in partnership to support state efforts to provide behavioral health treatment and recovery-oriented services within a permanent supportive housing approach for people with serious mental illness or serious emotional disturbance, substance use disorders, and co-occurring mental and substance use disorders. CABHI grant funds are designed to support three tiers of activities: (1) statewide planning to sustain partnerships across public health and housing systems to support individuals experiencing homelessness with behavioral health needs; (2) delivery of mental health and substance use disorder treatment, housing support, and other recovery-oriented services; and (3) engaging and enrolling eligible individuals in health insurance and
other relevant benefit programs. In fiscal year 2016, SAMHSA issued 30 CABHI grants to states, territories, localities, tribes, and nonprofit organizations.

GBHI aims to support communities in expanding and strengthening treatment and recovery support services for individuals experiencing homelessness who have substance use disorders or co-occurring mental and substance abuse disorders. This grant opportunity is available to public and private nonprofit entities rather than to government agencies.

Case Study: New Orleans Equity and Inclusion Initiative
Through its CABHI grant, the city of New Orleans’ Equity and Inclusion Initiative, operated by UNITY of Greater New Orleans, sought to reduce chronic homelessness through a Housing First model, an evidence-based practice based of placing individuals and families into permanent housing and connecting them to services such as Medicaid, mental health and substance use disorder treatment, and employment services. An outcome evaluation of the program found that a high percentage of participants in the program remained stably housed both 6 and 18 months after placement in permanent housing, satisfaction among participants was high, and those with psychosocial and behavioral health needs experienced significant increases in functioning. However, the evaluation did not find statistically significant reductions in reported substance use.

Key Takeaways
Discretionary grant opportunities, though not always open to the state health agency, provide an opportunity to bolster existing housing supports for individuals with substance use disorder through competitive application. While funding may not always be consistent or be directly available to the state health agency, state health officials and their teams can lend expertise to other state agencies eligible for the funding, serve as a partner and convener if a grant application is successful, and support upstream efforts to address root causes related to substance use disorders and housing insecurity.

Strategic Implementation Considerations
Funding related to health, substance use disorders, and housing is complex and often outside of a S/THA’s control, including opportunities through Medicaid waivers as well as discretionary grant programs, such as those offered by SAMHSA. S/THAs can pursue different approaches to use funding streams in support of housing for people with SUDs, including:

- **Assess Current Flexibilities and Opportunities**: Several states, including Alaska and Washington state, have utilized Medicaid 1115 waivers to support housing for people with substance use disorders. S/THAs could benefit from evaluating existing waivers and identifying opportunities for coordination if waivers already exist.
- **Establish Partnerships**: While many funding streams may not be open to or applicable for S/THAs, there are opportunities for S/THAs to establish or bolster existing partnerships across state government and with local and community-based organizations who are eligible for discretionary grant funding opportunities. By serving as a convener or expert partner and aligning on shared goals related to housing and substance use disorders, S/THAs can help to shape initiatives in their jurisdictions.
- **Support Local Innovation**: State health officials can support collaboration and information exchange across multiple sectors to advance local initiatives, and support the adaption and expansion of successful local initiatives that leverage discretionary grant dollars.
Braided and Layered Funding: Housing Funding Streams

In many instances, state and local governments and community-based organizations establish housing solutions for people with SUDs. Long-term housing solutions often require multiple sources of funding, such as initial state investments that are transferred into sustainable funding through rental payments, often subsidized, by the individuals themselves. Although S/THAs do not directly control most of these funding opportunities, there have opportunities to collaborate with leaders in other state agencies to leverage funding to advance health and housing, as well as influence and encourage leaders in local government to leverage funding streams in this way.

Community Development Block Grant Funding

Overview and Funding

U.S. Department of Housing and Urban Development’s Community Development Block Grant (CDBG) program provides annual funds to states, cities, and counties to develop strategies to provide quality and affordable housing and to support neighborhood revitalization, economic development, and improved community facilities and services, predominantly for low- and moderate-income individuals.25 The federal agency allots funds using a formula that takes into account factors such as population, poverty, incidence of overcrowded housing, and age of housing, and state and local governments choose how to deploy CDBG funds based on their communities’ needs. States distribute the federal grant funds to jurisdictions that do not receive money directly.26

Applications for CDBG funding require participation by individuals in the jurisdiction and emphasize participation by low- and moderate-income individuals. States and localities may use CDBG funds for a range of activities, including acquiring property, relocating and demolishing structures, rehabilitating residential and nonresidential structures, constructing public facilities and improvements, establishing or improving public services, facilitating activities related to energy conservation and renewable energy sources, and providing assistance to for-profit entities to carry out economic development and job creation/retention activities.27

Funding recipients must align all activities with at least one national objective of the program, such as benefiting low- and moderate-income persons, preventing or eliminating slums or blight, or addressing community conditions that pose a serious and immediate threat to health or welfare of the community and for which other funding is not available.28 Funding for CDBG is formulaic, thus there are limits to the amount allotted per jurisdiction, and given the Congressional appropriations process, the overall funding for the program may vary year to year.

Overall Strategy

Given the flexibility of CDBG dollars to support housing initiatives, S/THAs may coordinate and collaborate with other state or territorial agencies to align on shared priorities for housing individuals with SUDs that may connect to CDBG objectives. Additionally, they may identify funding streams within their oversight to braid and layer toward that common goal. S/THAs may also identify local entities that are addressing the intersections of housing and SUDs or find promising practices to support adaptation across jurisdictions.

Case Study: The Recovery Kentucky Program

Created in 2005 by the Kentucky Department for Local Government, the Kentucky Housing Corporation, and the Kentucky Department of Corrections, the Recovery Kentucky program was designed to support
Kentuckians recovering from SUDs in stable, safe housing by reducing substance use and homelessness. The program operates 18 centers across the state, providing housing and recovery services for up to 2,200 persons simultaneously. The supportive housing programs’ recovery models include peer support, daily living skills classes, job responsibilities, and establishing new behaviors.

Funding for Recovery Kentucky required an initial capital investment and braided multiple funding streams. The Department for Local Government, Department of Corrections, and Kentucky Housing Corporation jointly funded the initial investment, and the financial plan included construction and operational funding, with a $2.5 million annual allocation of Kentucky Housing Corporation’s low-income housing tax credits, which will generate a total equity investment of approximately $30 million for construction costs. Operational funding includes approximately $3 million from the Department for Local Government’s CDBG, and approximately $5 million from Kentucky Department of Corrections.

State-Based Funding Streams

Overview and Funding
Many states have employed legislation to create funding streams related to SUDs that are supported through state revenues. Given the intersections of housing insecurity and SUDs, there may be opportunities to leverage state-based funding to address the housing needs of individuals with SUDs. Additionally, many states, territories, and localities are suing pharmaceutical and drug distribution companies, alleging that their actions fueled the opioid crisis through misleading marketing, minimizing the risks and exaggerating the benefits of opioids, and/or engaging in reckless distribution practices, and one $26 billion national settlement is nearly finalized. States and territories may develop strategies for using settlement dollars, such as by setting up statewide settlement funds similar to the 1998 master settlement agreement that dictated how funds from a settlement with tobacco companies were used and distributed. As of early 2021, at least six state legislatures had introduced or adopted legislation related to the distribution of opioid settlement funds.

Overall Strategy
Funding streams developed through state legislation may be time-limited and require S/THAs to match across other funding streams or redirect other public health or SUD funding.

Case Study: Ohio Recovery Housing
In Ohio, state law authorizes funding to be used for recovery housing for individuals in recovery from SUDs. The Ohio Recovery Housing model provides different levels of housing based on the National Alliance of Recovery Residences levels of recovery housing, with individuals moving in and out of the different levels depending on their individual needs rather than via a linear, step-down continuum of services. The program offers a range of recovery house models, including those that are faith-based, those specifically for families and for veterans, and those for individuals in recovery who are using medication-assisted treatment. Funding for recovery housing operations has been distributed across Ohio to develop and expand recovery housing capacity.

The legislation in Ohio was developed because of a community need identified by local groups, and the state legislature’s coordination and advocacy. Through legislative actions, the state’s general revenue fund has allocated between $1 million $5 million for the program, with the capital fund providing up to $20 million.

Strategic Implementation Tip
Coordinating with the state attorney general on opioid settlement funding may enable some portion of the funding to be used to support the housing needs of individuals with SUDs.
Case Study: West Virginia’s Ryan Brown Addiction Prevention and Recovery Fund

West Virginia’s statewide substance use response plan aims to increase recovery housing capacity by creating and sustaining a system of assessing recovery housing capacity and quality to make funding recommendations and expand resources statewide. In 2017, the West Virginia legislature passed the Ryan Brown Addiction Prevention and Recovery Fund (HB 2428, 2017) mandating that the West Virginia Department of Health and Human Resources identify needs for and allocate additional treatment beds in the state to be operated by the private sector. While the focus of the initiative is to increase the number of treatment beds in private facilities across the state, it does provide an opportunity for stable housing for individuals undergoing SUD treatment. Across the state, 200 new treatment beds have been made available, with 350 beds still under development, through Ryan Brown Funding.

The fund was established in 2017 by the legislature, with an initial allocation of $20.8 million dollars as a special revenue account and allowing any funds from future settlements or judgements with pharmaceutical manufacturers, drug wholesalers, or retailers with the state attorney general be placed in the fund. The initial funding was provided to nine residential substance use disorder programs in the state. The state also expanded access to SUD treatment by braiding funding from a Medicaid 1115 waiver, making an additional 133 beds available for individuals seeking treatment.

Strategic Implementation Considerations

CDBG funds are a versatile source of funding that states and localities may use to meet a range of community needs, with a specific emphasis on the needs of low- and moderate-income individuals. These initiatives may support S/THA priorities regarding housing for individuals with SUDs. In addition to federal funding streams, state legislatures may allocate funding through state general or other dedicated funds to address SUDs in their jurisdictions’ populations, typically for SUD treatment and prevention. Additionally, there may be opportunities for states to identify and leverage funding related to settlements with pharmaceutical and associated companies, particularly related to the opioid crisis. S/THAs can partner with other agencies and encourage strategic use of these funding streams to meet the comprehensive needs—including housing needs—of individuals with SUDs through:

- **Establishing Cross-Sector Collaboration:** S/THAs can collaborate across state government and with local entities to support the housing needs of individuals with SUDs. S/THAs can also convene partners across sectors to identify and align on shared priorities to maximize investments. This may also include building relationships with community-based organizations providing short-term or transitional housing.

- **Identifying Champions with Shared Goals:** Specific statutory authorization, such as those in Ohio or West Virginia to support SUD prevention and treatment, may provide an opportunity to pilot and demonstrate the value and need for adequate supportive housing for individuals in treatment or recovery from SUDs. Additionally, S/THAs may have an opportunity to encourage policymakers to prioritize use of relevant settlement funds to support initiatives for individuals with SUDs, including addressing their housing needs.

The development of this document is supported by the Center for State, Tribal, Local, and Territorial Support (CSTLTS) at the Centers for Disease Control and Prevention (CDC) of the U.S. Department of Health and Human Services (HHS) through the cooperative agreement CDC-RFA-OT18-1802.

Thank you to the O’Neill Institute for Global and National Health Law at the Georgetown University School of Law for their partnership in developing this suite of resources.


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