

Hospital Partnership Subsidy Pilot Program

New Jersey Housing and Mortgage Finance Agency

Special Achievement

HFA Staff Contact

Nancy Kearney

nkearney@njhmf.gov

Innovation

Housing is healthcare.

This simple statement forms the foundation of an ambitious and innovative state partnership with hospitals promoting investment in much-needed affordable and supportive housing in their communities.

Numerous studies have shown a housing is a social determinant of health. Where and how people live is known to affect their well-being.

When people experience homelessness for a long period, they are unable to manage their health and begin to rely heavily on public institutions, such as hospitals, to meet their basic needs. As a result, frequent emergency room users, often those who are homeless, heavily impact hospital costs.

As anchor institutions in their communities, hospitals have an important role to play. Permanent supportive housing can not only help improve the quality of life and health of frequent emergency room users, but also help hospitals save significantly in avoided ER and in-patient costs.

Last August, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) unveiled a \$12 million innovative partnership to promote hospital investment in supportive housing in their communities.

The Hospital Partnership Subsidy Pilot Program is poised to make significant contributions to the housing and healthcare fields. The program introduces a new financing mechanism onto the policy landscape, i.e., bonding equity to hospital partners. The program is also unique in that it is just not financed, but designed and led by a state HFA. No initiative of this nature currently exists.

The program will initially fund four or five developments, which are expected to create over 250 units of affordable housing and over 50 units of required permanent supportive housing.

The initiative was announced jointly with the New Jersey Hospital Association, and endorsed by its Board of Trustees, and addresses the shared goal of community well-being.

Under the program, NJHMFA will match funding contributions from participating hospitals. Hospital partners were also encouraged to contribute land or an existing structure(s), and NJHMFA urged hospitals to consider developing mixed-use/mixed-income projects with doctors' offices, clinics or other community assets in first floor retail.

The program drew immediate interest from hospitals, nonprofit organizations and developers from across the state. While there has been a growing recognition of housing as healthcare across the country, this creative model with NJHMFA financing the hospital contribution is unprecedented.

Across the country, healthcare systems have begun to recognize the importance of affordable housing in promoting health, but no hospital initiatives have been at scale, nor benefited from direct contributions and programmatic leadership by a state HFA. NJHMFA's initiative is unique: with our involvement, hospitals can finance their equity contribution as part of the overall financing with our Agency. The opportunity will eliminate an upfront outlay of cash and will enable the hospital to amortize the equity

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loan over a 15-year term, thereby allowing hospitals to participate in affordable housing development with as little as \$100,000 in payments per year.

As a direct lender and Low Income Housing Tax Credit allocator, NJHMFA has the ability to lend, bond and award tax credits sustainably.

Responds to an important state need

It is well documented that where and how people live directly affect their well-being. Individuals who experience housing instability are likely to be hospitalized more frequently with longer lengths of stay and require more care than patients who have stable living arrangements.

The frequent use of emergency services by individuals has led to high costs incurred by hospitals. Investing in housing through this program will help hospitals save significantly in avoided emergency room and in-patient costs after patients receive permanent supportive housing.

This partnership program will help hospitals improve community health by developing housing for community members in need.

Providing stable, permanent housing can improve health outcomes, and this program is an important step in helping residents obtain permanent affordable housing and keep them on the path to maintaining good health.

Achieve intended results

While NJHMFA's approach is novel in terms of the proposed financial mechanism, there exist success stories that speak to the viability and positive impact of supportive housing initiatives.

New Jersey healthcare institutions have already begun to use affordable housing to ensure that frequent utilizers have the stability and support they need to manage chronic illness. For instance, the New Jersey state government's Housing First Voucher program, launched in 2015, has demonstrated up to 60% reductions in emergency department visits and inpatient readmissions in selected municipalities. Furthermore, Housing First pilot evaluations have demonstrated initial cost-savings of approximately 50% to municipal institutions, including medical centers, jails and shelters. NJHMFA expects that the Hospital Partnership Subsidy Pilot Program will achieve similar or more significant cost savings in each of four to five healthcare systems.

These initial results demonstrate immense potential for permanent supportive housing in New Jersey. Upon completion of the housing project under the Hospital Partnership Subsidy Pilot Program, hospitals can expect to recoup their annual payments through emergency room savings.

NJHMFA's pilot program is already underway and shows promise. The program has drawn significant interest from consultancies, health insurance groups, other health care providers and hospitals, and HFAs, as well as from policymakers within government-sponsored enterprises.

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As of December 2018, NJHMFA had received eight letters of interest from potential hospital partners throughout the state, and has selected four hospital partnerships to pursue in this pilot.

We expect that the program will result in better physical and mental outcomes, reduced rates of homelessness and housing instability, improved quality of life, and more accessible supportive services for frequent ER utilizers.

NJHMFA also anticipates the participating hospital will become more fully integrated into the community, both with housing opportunities to be made available to hospital staff, and in many cases, first-floor space, which directly connects the building and offers services to the neighborhood.

For the community, NJHMFA expects the projects to contribute to greater neighborhood-level affordability, as well as increases in public safety and property values. In the case of mixed-use developments, non-residential space could include medical offices, clinics or other community assets.

Through the initial program, NJHMFA expects to provide over 250 affordable housing opportunities and generate significant savings for our partners.

Following the pilot phase, NJHMFA is excited to develop appropriate scale-up strategies to ensure its long-term financial sustainability. NJHMFA would look to widen the pool of participating hospitals, consider a wider range of housing development sizes, and engage a broader array of possible healthcare partners, such as clinical or health insurance providers. As part of the scale-up strategy, NJHMFA would also work to identify other funding sources to ensure that the program remains financially sustainable.

Provide benefits that outweigh costs

Permanent supportive housing is an evidence-based intervention for populations facing chronic illness and homelessness. Research demonstrates that people experiencing homelessness, housing instability or substandard housing may develop or exacerbate chronic illnesses and become frequent utilizers of hospital systems.

Through the provision of stable housing and wraparound services, permanent supportive housing can reduce the number of avoidable hospital admissions while improving physical and mental health outcomes and reducing substance abuse among frequent utilizers.

By developing this housing on or near hospital campuses, health systems leverage their role as community anchor institutions to foster integration and neighborhood wellness. As a result, hospitals are anticipated to achieve significant savings in emergency room and inpatient service expenditures.

This program will provide housing stability and supportive services for vulnerable residents suffering from chronic illnesses and homelessness, thereby improving health outcomes and quality of life with producing Medicaid and other healthcare cost savings.

NJHMFA will provide subsidy and equity loans for the projects expanding its pool of partners, leveraging new outside subsidy, and as the state's sole provider of Low Income Housing Tax Credits, generating additional private equity investment, all of which increases the Agency's investment reach and develops potential future health partners.