Guide to Funding Supportive Services in Housing

July 2025

Abstract: Providing services for residents in affordable and supportive housing is essential for ensuring stability and well-being. However, funding for these services is often inconsistent, limited, and difficult to access, especially during the planning and implementation of housing developments by developers and service providers. This guide provides an overview of partnerships and funding strategies to ensure that supportive housing services are not only sustainable, but scalable.

Introduction

Supportive housing (SH) blends affordable housing with tailored support services to help people facing complex challenges live with stability, autonomy, and dignity. Delivering high-quality SH requires three key types of funding: capital to build or renovate housing, revenue to operate the property, and sustainable funding for direct services and service coordination.

Securing capital and operational funding is no small feat, but sustaining the services that residents rely on is often the most difficult piece of the puzzle. This is largely due to the fragmented nature of service funding, which requires property owners, investors, and providers to navigate and coordinate a patchwork of public and private resources, often with limited guidance and long-term certainty.

This guide is designed to help communities and funders interested in sustaining quality, supportive, and affordable housing better understand and access the evolving landscape of service funding. Informed by recent policy shifts in housing and healthcare, this guide highlights current and emerging funding mechanisms and includes real-world case studies that showcase how communities across the country are making it work.

While there is no single solution or universal funding source, this guide offers promising strategies and innovative models that can be adapted to meet local needs. Please note that all information is current as of publication, and funding sources and eligibility may change with new laws and regulations.

Overview of Funding for Supportive Services

No single funding source can meet the full spectrum of needs in supportive housing. Services in SH often span healthcare, behavioral health, care coordination (also known as case management), employment support, and tenancy stabilization, each of which may fall under the purview of different agencies or funding streams. As a result, successful service delivery typically requires a coordinated approach that draws on multiple sources, including federal, state, local, philanthropic, and private investments. This approach not only fills funding gaps but also allows providers to tailor services for the unique needs of their residents.

Blending and braiding funding streams are both a necessity and a strategy. Blending refers to combining funds from different sources into a single pool, while braiding involves aligning separate funding streams to support complementary services without co-mingling the funds. Both strategies require careful planning, compliance, and collaboration. When done effectively, these funding methods can create a more stable and flexible foundation for service delivery. This guide aims to demystify these approaches and provide practical examples to help investors implement them successfully.

Making the Case for Supportive Housing Investment

Across the U.S., thousands of individuals with histories of incarceration, chronic homelessness, mental illness, and substance use disorders find themselves trapped in a revolving door of public systems. They cycle repeatedly through jails, emergency rooms, shelters, and psychiatric facilities, often at great public expense and with little long-term benefit.

RAND Corporation's Evaluation of Housing for Health: Permanent Supportive Housing Program in Los Angeles, for example, found that a small cohort of high-utilizing individuals generated tens of millions in public costs, primarily through repeated use of jails, emergency rooms, and inpatient care.

According to the Annual Determination of Average Cost of Incarceration Fee (COIF) report, nationally, the cost of incarcerating a single individual can exceed $43,000 annually, while emergency room visits and psychiatric holds add tens of thousands more.

Supportive Housing as an Evidence-Based Intervention

Evidence-backed data shows that supportive housing utilizing low-barrier Housing First strategies can reduce healthcare, criminal legal system, and other public service costs. It can also reduce hospital visits, admissions, and duration of hospital stays among people experiencing homelessness.

The Maximizing the Impact of Federally Funded Housing and Supportive Services Programs Report to Congress from the United States Interagency Council on Homelessness (USICH) provides evidence that supportive housing has consistently demonstrated its value as a cost-effective and impactful intervention for individuals with complex needs. One of the most compelling indicators of its

effectiveness is housing stability: national data shows that 85–90% of individuals placed in supportive housing remain housed after one year. This level of retention is especially significant given the high barriers faced by this population.

Health outcomes also improve substantially with supportive housing. Participants experience fewer emergency room visits and inpatient hospitalizations, while increasing their use of preventive and behavioral health services. These shifts not only improve individual well-being but also reduce strain on public health systems. In fact, studies have shown that a significant portion of the cost of supportive housing can be offset by reductions in shelter use, hospital stays, and jail time.

Beyond housing and health, supportive housing programs that integrate employment services have shown promising results in improving job placement and income stability. This is particularly relevant for individuals reentering society after incarceration, who often face significant barriers to employment. By providing stable housing as a foundation, these programs create the conditions necessary for long-term economic participation and reduced recidivism.

> By aligning supportive housing with healthcare, criminal legal system funding, and other sources, communities can break costly cycles of instability and incarceration and deliver lasting outcomes for individuals while maximizing the impact of public investments.

Together, these outcomes make a compelling case for supportive housing as a strategic investment. The model not only delivers measurable social impact but also generates substantial public cost savings, making it a compelling opportunity for investors and policymakers alike.

Federal, State, and Local Funding for Supportive Services

The following charts provide a snapshot of key programs that support, or may be leveraged to support, service funding. In addition to direct services, many programs offer rental assistance and other financial support. While not exhaustive, these examples represent meaningful funding opportunities investors can explore and use to meet local needs.
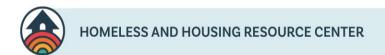
Later in this guide, we will take a closer look at some of the most widely used programs, explore strategies for blending and braiding funding streams, and highlight innovative state and local initiatives that are expanding access to sustainable service funding.
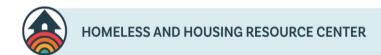
Federal Funding

Program	Funding Agency	Program Summary	Overview of Eligible Services
Continuum of Care (CoC) Program	U.S. Dept. of Housing and Urban Development (HUD)	HUD provides CoC Program funding to eligible CoC Recipients through a competitive grant process for housing and service projects, including permanent supportive housing, rapid re-housing, and supportive services.	Supportive services are eligible costs under specific program components. The CoC Program interim rule specifies all eligible services. See the CoC Supportive Services Fact Sheet for more details.
Emergency Solutions Grant (ESG) Program	HUD	ESG provides funding to eligible recipients through a competitive grant process for a range of services, from outreach to engage families and individuals experiencing homelessness, to services focused on sustaining tenancies.	Outreach services may include engagement, case management, emergency physical and mental health services, and transportation. Rapid Rehousing services may include housing search and placement, housing stability case management, mediation, legal services, and credit repair. See the ESG Fact Sheet for more details.
Youth Homelessness Demonstration Program (YHDP)	HUD	YHDP is an initiative designed to reduce the number of youth experiencing homelessness.	YHDP can be utilized to fund various services, including housing search, case management, drop-in centers, legal services, and prevention/diversion. See this Appendix for more details.

Program	Funding Agency	Program Summary	Overview of Eligible Services
Community Development Block Grant (CDBG)	HUD	CDBG programs provide annual grants on a formula basis to states, cities, and counties to support community development activities that build stronger and more resilient communities, principally for low- and moderate-income people. There are several types of CDBG programs, including CDBG-CV (part of CARES Act funding) and CDBG-DR (Disaster Relief).	CDBG funds can support a variety of services for individuals and communities, such as job training and employment services, health care and substance use services, child care, and fair housing counseling. See CDBG Public Services for more details.
HOME Investment Partnerships American Rescue Plan Program (HOME-ARP)	HUD	HOME-ARP funds the HOME Investment Partnerships Program (HOME) Participating Jurisdictions (PJs) to reduce homelessness and increase housing stability. A PJ may use HOME-ARP funds to provide a broad range of supportive services for individuals and families that meet one of the qualifying populations as defined in the HOME-ARP Notice.	Eligible services for HOME-ARP include: • McKinney-Vento Supportive Services: section 401(29) of the McKinney-Vento Homeless Assistance Act • Homelessness Prevention Services: certain eligible services under the ESG regulations at 24 CFR Part 576, and • Housing Counseling Services: those defined at 24 CFR 5.100 and 5.111, with some exceptions. See the HOME-ARP Supportive Services Fact Sheet for more details.
HUD-Veterans Affairs Supportive Housing (HUD-VASH)	HUD and U.S. Dept. of Veterans Affairs (VA)	HUD-VASH is a joint program between HUD and the VA, administered by Public Housing Authorities (PHAs). It pairs HUD's Housing Choice Voucher (HCV) program with VA case management and supportive services.	Services may include employment support, case management, assistance in obtaining VA benefits, and assistance in accessing mainstream benefits. Grantees may also provide additional services such as temporary financial assistance with rent, utilities, and childcare expenses. See the HUD-VASH Program page for more details.

Program	Funding Agency	Program Summary	Overview of Eligible Services
Supportive Services for Veteran Families (SSVF)	VA	SSVF provides case management and supportive services for very low-income Veterans to prevent the imminent loss of a home, identify a new, more suitable housing situation for the individual and their family, or rapidly re-house Veterans and their families who are experiencing homelessness and might remain so without this assistance.	Eligible services may include housing search and identification, housing stabilization support, and case management. See the SSVF Program page for more details.
Grant and Per Diem Program (GPD)	VA	GPD supports community-based organizations that serve homeless Veterans by providing transitional housing and supportive services that help them transition into stable, permanent housing.	GPD can provide case management for supportive housing by offering services that promote housing stability, enhance income or skill development, and support self-determination as Veterans transition to permanent housing. See this Fact Sheet for more details.
Projects for Assistance in Transition from Homelessness Program (PATH)	Substance Abuse and Mental Health Services Administration (SAMHSA)	SAMHSA provides funding for programs related to mental health and substance use disorders, including the PATH program, which funds services for people with serious mental illness (SMI) experiencing homelessness.	PATH program services may include outreach, screening and diagnostic treatment, habilitation and rehabilitation, community mental health, substance use disorder treatment, and referrals for primary health care, job training, educational services, and housing. See the PATH page for more details.
Community Mental Health Services Block Grant (MHBG)	SAMHSA	MHBG funds states and jurisdictions to provide community mental health services for adults with SMI and children with Serious Emotional Disturbance (SED).	MHGB funds support community mental health services. See the MHBG page for more details.

Program	Funding Agency	Program Summary	Overview of Eligible Services
Grants for the Benefit of Homeless Individuals (GBHI)	SAMHSA	The GBHI program is a competitive grant program administered by the SAMHSA Center for Substance Abuse Treatment (CSAT) to help communities expand and strengthen treatment and recovery support services for individuals (including youth and families) experiencing homelessness who have substance use disorders (SUD) or co-occurring mental health and substance use disorders (CODs).	GBHI services may include outreach and engagement, mental and substance use screening and assessment, direct treatment for substance use and co-occurring disorders, assistance in accessing permanent housing, case management and recovery support services, enrollment for health insurance, Medicaid, SSI/SSDI, and other mainstream benefits, and access to recovery support services. See the GBHI page for more details.
Treatment for Individuals Experiencing Homelessness (TIEH)	SAMHSA	The TIEH program is a competitive grant program administered by the SAMHSA Center for Mental Health Services (CMHS) to increase access to evidence-based treatment services, peer support, services that support recovery, and connections to permanent housing.	TIEH services may include outreach and engagement, mental and substance use disorder screening and assessment, direct treatment for SMI, SED, and COD, assistance with identifying sustainable permanent housing, case management and recovery support services, and enrollment for health insurance, Medicaid, SSI/SSDI, and other mainstream benefits. See the TIEH page for more details.

*For a more extensive overview of HUD programs, see the Quick Guide to HUD Programs. For SAMHSA programs, more in-depth information on the grant process can be found here. Additional information on VA funding can be explored here.

Federal Funding to Support Tribal Communities

Program	Funding Agency	Program Summary	Service Funding Strategies
The Indian Housing Block Grant (IHBG) Program	HUD	IHBG is a formula grant distributed annually that funds affordable housing activities, including new housing construction, rehabilitation, housing services, and more, for federally recognized Tribes, Tribally Designated Housing Entities (TDHEs), and a limited number of State-recognized Tribes.	• Leverage other federal programs, such as the Indian Community Development Block Grant (ICDBG) program, alongside IHBG funding. • IHBG funding may be utilized for project-based or tenant-based rental assistance in Low-Income Housing Tax Credit (LIHTC) projects.
The Indian Community Development Block Grant (ICDBG)	HUD	ICDBG provides eligible grantees with direct grants for use in developing viable Indian and Alaska Native Communities, including decent housing, a suitable living environment, and economic opportunities, primarily for low- and moderate-income persons. ICDBG is more narrowly focused on housing than CDBG.	• Funding through ICDBG can be utilized for housing, community facilities, and economic development (Single Purpose grants), as well as threats to public health or safety of tribal residents (Imminent Threat grants).
Tribal HUD-VASH Program	HUD and VA	Tribal HUD-VASH provides rental assistance through HUD and supportive services through the VA to Native American Veterans who are experiencing, or at risk of, homelessness on or near a reservation or other Indian areas.	• Leverage other federal funds such as ICDBG, IHBG formula, and IHBG Competitive funds and non-Federal sources for capital and operating costs, or supportive services.

Program	Funding Agency	Program Summary	Service Funding Strategies
Native Connections Grant Program	SAMHSA	The Native Connections grant program supports grantees in reducing suicidal behavior and substance use among Native youth up to age 24, easing the impacts of substance use, mental illness, and trauma in tribal communities, and supporting youth as they transition into adulthood	The Native Connections grant program funds an array of services to reduce the impact of mental and substance use disorders, complex trauma, and prevent suicide. See the program Briefing Sheet for more details.
Title VI Grant Program	ACL	Provides grants to eligible Tribal organizations to promote the delivery of home and community-based supportive services, including nutrition services and support for family and informal caregivers, to Native American, Alaskan Native, and Native Hawaiian elders.	Grants provide funding to Tribal organizations for a broad range of services to older Native Americans, including: • Congregate and home-delivered meals • Information and referral • Transportation • Personal care • Chores • Health promotion and disease prevention, and • Other supportive services. See the program Spending Guide for more details.

*For more Tribal resources from SAMHSA, see the Tribal Training and Technical Assistance Center.

Medicaid and Health System Funding

Program	Funding Agency	Program Summary	Overview of Eligible Services
Medicaid	The Centers for Medicare & Medicaid Services (CMS) *States administer their own Medicaid programs and CMS provides oversight and sets federal guidelines.*	Medicaid is a joint federal and state program that helps cover medical costs for some people with limited income and resources. Medicaid expansion, especially in states that expanded coverage under the Affordable Care Act, has led to significant gains in coverage for people experiencing homelessness, allowing them to access a wider range of medical services, including behavioral health care, dental care, and other preventive services.	Varies by state and can include housing-related services and supports that promote health and community integration, such as assistance in finding and securing housing, and home modifications. See the Issue Brief from the Medicaid and CHIP Payment and Access Commission (MACPAC) for more details.
Supportive Services Transformation Fund (SSTF)	States and local partners	The SSTF acts as a funding bridge for non-Medicaid eligible expenses, particularly housing-related services. Key components include Supportive Services Grants to service providers to increase non-Medicaid eligible services, Capacity Building resources and technical assistance to develop and sustain high-quality service delivery systems and build admin capacity to leverage and bill Medicaid, and Evaluation funding to conduct state-wide SH needs assessments and evaluate outcomes of the program.	SSTF may fund housing-related services such as housing assessment, application support, and move-in expenses, as well as tenancy-sustaining services such as landlord support and mitigation, eviction risk mitigation, and housing recertifications.

Other Federal Funding that Indirectly Supports Services

Program	Funding Agency	Program Summary	Service Funding Strategies
Low-Income Housing Tax Credits (LIHTC)	U.S. Dept. of the Treasury	LIHTC is a federal program that provides tax incentives to developers to create affordable housing. Credits are administered at the state level through a competitive allocation process. State and local housing agencies use Qualified Allocation Plans (QAPs) to prioritize projects for LIHTC funding. LIHTC generates significant private capital for the development of affordable rental housing, and with certain incentives, these resources can also support the provision of services for property residents.	• By prioritizing supportive housing in these plans, agencies can encourage developers to include supportive housing units in their projects. • QAPs can include requirements for developers to provide specific services, such as case management or social support, to residents. • Additionally, state governments can establish dedicated funds to cover service costs in LIHTC-financed supportive housing projects.
New Markets Tax Credit (NMTC)	U.S. Dept. of the Treasury	NMTC investors provide capital to community development entities, and in exchange are awarded credits against their federal tax obligations.	• NMTC transactions can be structured to incorporate funding for working capital to support operations and services that support the community.

Accessing Service Funding for Supportive Housing

Flexible service funding is a cornerstone of sustainable supportive housing. Yet for developers, providers, and investors alike, navigating the complex landscape of funding sources and identifying the right partners can be challenging. A strong understanding of available federal, state, and local programs, including those outlined in the previous section, is a critical first step.

To overcome these challenges, building strategic, mission-aligned partnerships within the community is essential. Among the most valuable relationships to cultivate is with the local Continuum of Care (CoC). CoCs coordinate homelessness response systems and often serve as stewards to key funding streams, referral networks, and service coordination infrastructure.

Building Strategic Relationships with Your Local CoC

Early and consistent collaboration with CoCs and other local partners allows investors to align their capital with community priorities, access a broader range of funding opportunities, and support service models that are both integrated and sustainable. These relationships not only enhance project viability but also maximize the long-term social and financial return on investment.

Use these key strategies to navigate this process:

→ **Understand the CoC's Role in the Funding Ecosystem**
- o CoCs coordinate local efforts to address homelessness and manage HUD and other funding for programs like Permanent Supportive Housing (PSH) and Rapid Re-Housing (RRH).
- o They prioritize projects that offer immediate housing access with integrated services using a Housing First model.
- o CoC partnerships are vital to accessing federal resources and aligning with local housing strategies.

→ **Clarify Your Investment Objectives and Community Needs**
- o Assess local data to understand which populations are most in need of housing and services.
- o Identify service gaps and determine how your investment can fill those needs.
- o Define your organization's capacity, including capital, service partnerships, and operational strengths.

→ **Engage Early and Strategically**
- o Locate your local CoC(s) using HUD's national directory.
- o Attend CoC meetings to gain insight into funding priorities, SH pipeline projects, and partnership opportunities.

- o Build relationships with CoC leadership and service providers to position your investment for alignment and support.

→ Leverage Collaborative Funding Models

- o Explore joint ventures with service providers or developers already engaged with the CoC.
- o Participate in CoC planning efforts to shape funding strategies and understand the local Coordinated Entry system and referral process.
- o Understand how to enhance your investment through blended and/or braided funding (e.g., HUD, Medicaid, state/local grants, etc.).

→ Maximize Funding Access and Sustainability

- o Explore HUD's CoC Program guidelines and identify additional federal, state, and philanthropic funding opportunities.
- o Collaborate on proposals for new or expanded projects that align with CoC priorities.
- o Plan for long-term sustainability by diversifying funding sources and implementing performance-based evaluation metrics.

→ Maintain Transparent Communication and Performance Tracking

- o Stay engaged with the CoC through regular updates and participation in data-sharing initiatives.
- o Support outcome tracking and reporting to demonstrate impact and strengthen future funding opportunities.
- o Position your investment as a value-add to the community's broader housing and health ecosystem.

These strategies can be adapted to strengthen other cross-sector partnerships. Consider applying these strategies to sectors such as healthcare, education, public housing authorities, criminal legal systems, or workforce development to enhance alignment and deepen public-private collaboration.

Leveraging Federal Funding for Supportive Housing Solutions

Federal funding plays a foundational role in the supportive housing ecosystem, offering critical resources for housing and supportive services. Strategic coordination across funding sources and service systems is essential to maximize impact. Leveraging funding involves using one source, often federal grants, as a catalyst to attract additional resources from private, philanthropic, or local sources. This approach amplifies impact and builds financial sustainability.

Commonly utilized federal programs include:

- HUD's CoC Program: Supports housing and wraparound services for individuals experiencing or at risk of homelessness, with an emphasis on long-term stability and systems integration.

- **SAMHSA Grants:** These grants provide funding for mental health and substance use treatment, which are essential components for individuals with complex behavioral health needs.

- **Other HUD Programs:** Including the Emergency Solutions Grants (ESG), Housing Opportunities for Persons with AIDS (HOPWA), and HOME-ARP, can complement CoC funding and expand service capacity.

- **VA Programs:** Provide Veterans with housing assistance and care coordination through various programs for Veterans experiencing homelessness, including SSVF, GPD, and HUD-VASH.

Leveraging these programs effectively requires aligning funding timelines, eligibility criteria, and service delivery models. When coordinated well, blending federal resources with state, local, and philanthropic capital builds a sustainable and scalable foundation for supportive housing.

For investors, this alignment presents a unique opportunity to amplify impact, reduce financial risk, and support outcomes-driven models that deliver measurable social and financial returns.

KEY STRATEGIES

→ **Position** federal grants as anchor funding to attract private capital and philanthropic contributions.

→ **Demonstrate** measurable outcomes and cost savings (e.g., fewer emergency room visits, reduced incarceration) to justify further investment.

→ **Forge** public-private partnerships that align investor objectives with federal program goals to achieve shared, scalable impact.

When executed strategically, leveraging federal funds expands service capacity and builds confidence among funders and community partners.

Here are two examples of successfully leveraging federal funding for services in supportive housing:

Louisiana Department of Health (LDH) Permanent Supportive Housing (PSH) Program

- **Federal Sources:** Medicaid Waiver, HUD CDBG, LIHTC, VA funding.
- **Leveraged Funding:** Combined federal and state funds to support housing and services for individuals with disabilities and those exiting institutions.
- **Strategy:** Used Medicaid and HUD funds as anchors to attract developer participation through LIHTC and to coordinate tenancy supports.
- **Impact:** Created a replicable, scalable model for supportive housing.
- **Outcomes**: 68% reduction in homelessness among the target population statewide over a five-year period, 24% reduction in Medicaid costs, along with statistically significant reductions in inpatient and ER visits for adult tenants post-housing.

Denver Social Impact Bond Initiative

- **Federal Source:** HUD and Medicaid.
- **Leveraged Funding:** Attracted private investment through a pay-for-success model.
- **Strategy:** Utilized federal funding to support housing and health services, while private investors funded the upfront costs of delivering housing and supportive case management services. Investors were repaid by the city based on measurable outcomes (e.g., reduced jail stays) that resulted in cost savings for the city.
- **Impact:** Demonstrated cost savings and improved housing stability for chronically homeless individuals.
- **Outcomes**: Increased housing retention rate, 40% reduction in shelter stays, 40% reduction in arrests, 30% reduction in jail stays, along with significant cost savings in crisis interventions across the board.

These examples show how federal funds can serve as anchor capital to unlock additional resources, reduce risk for private investors, and scale impact through innovative financing and partnerships.

Additional examples include Atlanta, Georgia's LIFT 2.0 Initiative, and Colville, Washington's Indian Housing Authority Tribal HUD-VASH program, detailed below.

SPOTLIGHT: INNOVATIVE STATE AND LOCAL INITIATIVES

Atlanta's LIFT 2.0 Program

The Leveraging Funding for Innovation (LIFT) 2.0 is a citywide initiative led by the Atlanta CoC, Partners for HOME, in collaboration with the City of Atlanta. Designed to make homelessness in Atlanta rare, brief, and non-recurring, the program operates by rapidly housing individuals experiencing chronic or unsheltered homelessness and connecting them to long-term supportive services. Launched in the summer of 2022 as a continuation and expansion of the original LIFT initiative, LIFT 2.0 set a goal to house 1,500 households by the end of 2024, and surpassed that goal ahead of schedule, with 1,553 households housed as of November 2023.

Implementation
- **Lead Agency:** Partners for HOME coordinated implementation with the City of Atlanta and CoC partners.
- **Housing First Approach:** Prioritized immediate access to housing without preconditions.
- **Integrated Services:** Combined housing placement with behavioral health, peer support, and case management.
- **Data-Driven Targeting:** Used real-time data to prioritize individuals with the highest needs.
- **Cross-Sector Collaboration:** Engaged housing providers, health systems, outreach teams, and funders in coordinated service delivery.

Funding Strategy

LIFT 2.0 utilizes a blended funding model, combining multiple federal and local sources to support both housing and services:

- **HUD Continuum of Care (CoC) Program:** Provided rental assistance, housing navigation, and permanent supportive housing placements.
- **SAMHSA Grants for the Benefit of Homeless Individuals (GBHI):** Funded behavioral health services, including mental health and substance use treatment, peer support, and case management.
- **City of Atlanta and Philanthropic Contributions:** Supplemented federal funding to support infrastructure, outreach, and service coordination.

Goals and Objectives

- Rapidly house individuals experiencing unsheltered or chronic homelessness.
- Provide voluntary, person-centered behavioral health and recovery services.
- Reduce reliance on emergency systems and improve long-term housing stability.
- Strengthening cross-sector collaboration among housing, health, and social service providers.

Current Outcomes

- 1,553 households housed—exceeding the original target.
- Improved housing retention and reduced emergency service utilization.
- Enhanced coordination between housing and behavioral health systems.
- Recognition as a model for scalable, data-driven homelessness response.

Lessons Learned

- → Blended funding models are essential for sustaining both housing and services.
- → Housing First works: Rapid placement with voluntary services leads to better outcomes.
- → Data systems and coordination are critical for targeting resources and tracking progress.
- → Local leadership and flexibility enable programs to adapt quickly and scale effectively.
- → Behavioral health integration is key to long-term housing stability for individuals with complex health needs.

Colville, WA Indian Housing Authority Tribal HUD-VASH Program

The Tribal HUD-VASH program is a collaborative initiative between HUD, the VA, and tribal housing authorities to provide rental assistance and supportive services for Native American Veterans experiencing or at risk of homelessness. In January 2016, the Colville Indian Housing Authority (CIHA) in Washington State was awarded a Tribal HUD-VASH grant to support up to 20 Native Veterans. CIHA continues to receive annual renewal awards to administer the program.

Implementation

CIHA engaged in several months of planning and hired a dedicated VA case manager.

- **Approach:** Prioritized culturally responsive support and community-based coordination.
- **Integrated Services:** Combined housing placement with dedicated VA case management.
- **Community Collaboration**: The housing team worked closely with Colville Tribal Veterans Representatives to identify eligible Veterans and connect them to housing and services.

Funding Strategy
- **HUD's Office of Native American Programs:** Provided rental subsidy funding through the Tribal HUD-VASH grant.
- **VA:** Supplied case management and supportive services through a dedicated VA case manager.
- **CIHA:** Managed housing placement and coordination with tribal partners.

Goals and Objectives
- Provide stable, affordable housing for Native Veterans experiencing or at risk of homelessness.
- Deliver culturally responsive case management and supportive services.
- Promote long-term housing stability and personal well-being.
- Foster community reintegration and access to employment and training opportunities.

Current Outcomes
- Successfully housed 20 Native Veterans.
- Through annual program renewal funding, Veterans continue to receive the housing and support services they need.
- Participants reported significant improvements in quality of life and personal growth.

Lessons Learned
→ **Early planning and strong partnerships** between tribal housing authorities and VA staff are critical to success.
→ **Culturally grounded programs** enhance engagement and healing for Native Veterans.
→ **Stable housing combined with supportive services** can lead to transformative outcomes for individuals and communities.

Learn more about this initiative here.

Leveraging Medicaid to Fund Supportive Housing Services

Medicaid is a powerful but underutilized tool for financing supportive services for individuals with disabilities, chronic health conditions, or those experiencing homelessness. It can fund a wide range of services in both institutional and community-based settings, including housing-related support that promotes health and stability, such as housing navigation, tenancy support, and home modifications.

By leveraging Medicaid's flexibility through waivers, state plan amendments, and demonstration projects, states can fund a wide range of supportive services that promote housing stability and reduce reliance on costly institutional care. These strategies not only improve health outcomes but also create opportunities for long-term system alignment between the health and housing sectors.

Additionally, communities can advocate with policymakers to expand behavioral health services for youth with complex social and medical needs by leveraging Medicaid and the Children's Health Insurance Program (CHIP).

KEY STRATEGIES

States across the country are implementing innovative strategies to leverage Medicaid in support of housing and health integration.

→ Use Medicaid Waivers to Fund Housing-Related Services

- o Strategy: Apply for Section 1115 or 1915(c) waivers to cover services like tenancy support, housing navigation, and behavioral health coordination.
- o Example: California's Whole Person Care Pilot used 1115 waivers to fund housing supports for high-need Medicaid beneficiaries.

→ Amend State Medicaid Plans to Include Supportive Services

- o Strategy: Modify the state plan to include services such as case management, peer support, and home modifications.
- o Example: North Carolina's Healthy Opportunities Pilots use Medicaid to fund non-clinical services addressing housing, food, and transportation needs.

→ Integrate Medicaid with Housing Programs

- o Strategy: Coordinate Medicaid-funded services with housing assistance from HUD or local programs to create comprehensive supportive housing models.
- o Example: Louisiana's Permanent Supportive Housing Program blends Medicaid services with housing subsidies for individuals with disabilities.

→ Leverage Managed Care Organizations (MCOs)

- o Strategy: Require or incentivize MCOs to fund or coordinate supportive housing services as part of value-based care models.
- o Example: Arizona's Whole Person Care Initiative includes housing supports as part of integrated care for individuals with serious mental illness.

→ Pilot Innovative Payment Models

- o Strategy: Test outcome-based or bundled payment models that include housing-related services.
- o Example: Massachusetts' Flexible Services Program allows accountable care organizations (ACOs) to pay for housing stabilization services using Medicaid funds.

While Medicaid has the potential to be a primary funding source, most state plans have not yet been updated to include these critical services. As a result, only a portion of supportive housing service costs are currently reimbursable.

Supportive Services Transformation Fund (SSTF)

One strategy to bridge this gap is for states to establish an SSTF, a flexible pool of state dollars that covers non-Medicaid-eligible expenses until they become reimbursable. This approach reduces reliance on costly crisis systems and institutional care, while paving the way for long-term Medicaid integration.

SSTFs have proven effective in several key ways:

→ **Bridging critical service gaps** while Medicaid systems evolve.
→ Enabling **early intervention**, reducing the need for high-cost institutional care.
→ Supporting **data-driven service models** that demonstrate cost savings and improved outcomes, strengthening the case for Medicaid reimbursement.

The Michigan Department of Health and Human Services (MDHHS) Permanent Supportive Housing SSTF is an example demonstrating how states are using this model to bridge funding gaps and expand supportive housing services:

- **Overview:** Avalon Housing received **$1.5 million over two years** from MDHHS through the SSTF to expand supportive services for tenants in permanent supportive housing.
- **Use of Funds:** The funding supports intensive case management, including services for individuals with complex needs such as mental illness and substance use.
- **Impact:** Enables Avalon to maintain low staff-to-service participant ratios (1:15), build trust with program participants, and maintain housing stability through personalized support.

This example illustrates the transformative potential of SSTFs in action. By strategically investing in personalized, high-touch services, the SSTF enables Avalon Housing to support tenant stability, reduce housing loss, and build the kind of trust-based relationships that are essential for long-term success. As more states explore innovative funding models to bridge service gaps, Michigan's approach offers a compelling blueprint for how targeted, flexible investments can drive meaningful outcomes in supportive housing.

POTENTIAL OBSTACLES

SSTFs offer a promising model for bridging service funding gaps, but their implementation is not without challenges. Obstacles that states and other partners may face include the following.

→ **Legislative and Political Hurdles**
  o Challenge: SSTFs typically require state legislative approval and appropriations, which can be difficult to secure amid competing budget priorities.
  o Impact: Delays in funding or limited allocations can stall implementation or reduce program scope.

→ **Sustainability and Long-Term Planning**
  o Challenge: SSTFs are designed as temporary bridge funds, but without a clear path to Medicaid reimbursement, they risk becoming unsustainable.

- o Impact: Programs may face funding cliffs if Medicaid integration is delayed or incomplete.

→ Medicaid Alignment and Policy Complexity
- o Challenge: Aligning SSTF-funded services with Medicaid reimbursement rules requires deep policy expertise and coordination across agencies.
- o Impact: Misalignment can lead to inefficiencies or services that remain unfunded long-term.

→ Administrative and Operational Capacity
- o Challenge: Managing SSTF funds involves complex tracking, reporting, and compliance, especially when blending with other funding sources.
- o Impact: Smaller providers may lack the infrastructure or staffing to manage these requirements effectively.

While offering a powerful and flexible tool for bridging service funding gaps and advancing Medicaid integration, the success of SSTFs depends on more than just financial investment. These funds enable early intervention, reduce reliance on high-cost crisis systems, and support data-driven service models that improve outcomes and demonstrate long-term cost savings. However, implementation challenges, such as navigating Medicaid policy, securing sustained funding, and managing administrative complexity, can limit their impact without the right infrastructure.

CROSS-SYSTEMS PARTNERSHIPS

Crucially, the effectiveness of SSTFs hinges on strong, cross-sector partnerships. Collaboration among Medicaid agencies, housing providers, behavioral health organizations, and community partners ensures that services are aligned, resources are maximized, and systems are responsive to the needs of populations. These partnerships not only help overcome operational and policy barriers but also foster shared accountability and innovation. In this way, SSTFs serve not just as a funding mechanism but as a catalyst for building integrated, sustainable systems of care. Balancing these benefits and challenges is key to ensuring that SSTFs fulfill their promise as a scalable, sustainable solution for expanding supportive housing services.

SSTFs represent a strategic opportunity to catalyze system change while generating measurable social returns. By serving as a bridge to long-term Medicaid reimbursement, SSTFs de-risk early investments in supportive housing services and create a pathway to sustainable funding. Importantly, the success of SSTFs is amplified through strong public-private partnerships, where investors, government agencies, and service providers work together to align financial resources with shared goals.

Leveraging Medicaid to fund supportive housing services presents a powerful opportunity to align health and housing systems, reduce reliance on crisis care, and promote long-term stability for vulnerable populations. However, numerous challenges remain, such as aligning state plans and navigating reimbursement pathways.

Initiatives like the Housing and Services Partnership Accelerator (HSPA) offer states a structured, collaborative approach to overcome these barriers and expand access to housing-related services. The HSPA is an initiative that supports states in navigating these and other challenges. Through a 12-month learning collaborative in 2025, interdisciplinary teams from Illinois, Michigan, New Hampshire, and Vermont are tackling issues such as payment models, data integration, and service expansion.

For more detailed guidance on strategies to leverage Medicaid, refer to the HHS Issue Brief on Leveraging Medicaid to Support Housing and Services, which outlines strategies, case studies, and policy considerations for successful implementation.

SPOTLIGHT: INNOVATIVE STATE AND LOCAL INITIATIVES

Nevada's Supportive Housing Development Fund

Launched in 2023, the Nevada Supportive Housing Development Fund is a state-led SSTF initiative designed to address homelessness and housing instability by funding critical supportive services. The program targets individuals with complex behavioral and physical health needs, particularly those experiencing chronic homelessness or transitioning from institutional settings. By bridging the gap between housing and health services, SSTF aims to stabilize vulnerable populations and reduce reliance on crisis systems like emergency rooms and jails.

Implementation
The Nevada Department of Health and Human Services partnered with local service providers and housing authorities to distribute funds through competitive grants. Priority was given to:

- Chronically homeless individuals
- People exiting institutions (e.g., jails, hospitals)
- Individuals with serious mental illness or co-occurring disorders

This collaborative approach emphasized integrated care and data-driven service delivery.

Funding Strategies
- Total Allocation: $32 million, with $30 million dedicated to supportive housing services.
- Primary Source: Nevada General Fund appropriations.
- Administration: Managed by the Nevada Housing Division and overseen by the Interagency Council on Homelessness to Housing.
- Purpose: Acts as a bridge fund to support services not yet reimbursable by Medicaid, while the state works to expand Medicaid coverage.

Goals and Objectives
- Increase the supply of quality supportive housing.
- Build the capacity of the supportive housing industry to reduce homelessness and inappropriate institutionalization.

Expected Impact
- Increase housing retention among tenants receiving supportive services.
- Reduce crisis system use.
- Expand provider capacity.
- Improve coordination across agencies, laying the groundwork for systemic transformation.
- Prepare for long-term sustainability by aligning services with Medicaid reimbursement pathways.

Looking Ahead

Nevada's SSTF can be viewed as a model for other states, demonstrating how targeted state investment can catalyze systemic change. As Medicaid reimbursement expands, the state plans to gradually reduce reliance on SSTF and sustain services through federal funding. Future goals include integrating SSTF learnings into a statewide Medicaid waiver by 2026 and expanding services to underserved rural areas.

Lessons Learned
- → Invest early in bridge funding to accelerate service delivery while Medicaid systems evolve.
- → Foster interagency collaboration through shared data systems and coordinated care models.
- → Embed evaluation frameworks from the outset to track outcomes, demonstrate impact, and inform policy decisions.

See more information on program requirements here.

Kentucky Housing Corporation (KHC)
Leveraging HOME-ARP to Expand Supportive Housing and Bridge Service Funding

The Kentucky Housing Corporation (KHC) serves as the state's Housing Finance Agency (HFA) and administers key federal housing programs. Through the American Rescue Plan's HOME-ARP funds, KHC is expanding supportive and affordable housing across the state. To ensure long-term sustainability, KHC is leveraging these funds to bridge service gaps while providers integrate into the state's Medicaid and Managed Care networks.

Funding Commitments

KHC has committed to allocating its HOME-ARP funds as follows:

- 71% for the development of affordable and supportive housing
- 15% for supportive services
- 4% for capital investments in non-congregate shelters
- $500,000 for non-profit capacity building (pre-development, training, personnel)

Additional Funding Sources
- Low-Income Housing Tax Credit (LIHTC)
- State and national housing trust funds

- HUD HOME Investment Partnerships Program ([HOME](#)) funds

Goals and Objectives
- Address the shortage of supportive housing units.
- Serve at-risk households needing supportive housing.
- Support extremely low-income households facing housing instability.
- Build capacity in underserved areas with high need.

Expected Impact
- Develop 300 new supportive and affordable housing units (10% increase).
- Provide supportive services for 600 households.
- Strengthen non-profit capacity to deliver and manage housing projects.
- Bridge service funding until Medicaid reimbursement mechanisms are fully operational.

Looking Ahead
KHC is strategically leveraging federal HOME-ARP funds to support the expansion of Medicaid to sustain supportive housing services across the state. By using HOME-ARP as a bridge, KHC ensures immediate support for populations with the highest need while service providers transition into Medicaid and Managed Care networks. This dual funding approach not only fills critical service gaps, especially for those not covered by Medicaid, but also lays the groundwork for long-term sustainability. Through collaboration with the Department of Medicaid Services, KHC is addressing reimbursement barriers, ensuring that supportive services remain accessible well beyond the expiration of HOME-ARP funding in 2030. This model demonstrates how aligning housing and healthcare funding can create more resilient, integrated systems of care.

Lessons Learned
→ **Targeted Investment Reduces Homelessness:** Strategic use of HOME-ARP funds leads to measurable decreases in homelessness and housing instability.
→ **Increased Supportive Housing Supply Expands Availability:** Prioritizing the development of new units increases access for vulnerable populations, including those with complex needs.
→ **Cross-Sector Collaboration Strengthens Systems:** Coordinated efforts between housing and healthcare sectors improve service delivery and outcomes.
→ **Sustainability Requires Integration:** Aligning supportive services with Medicaid and Managed Care networks ensures long-term funding and continuity of care beyond temporary federal programs.

Strategic Investment in Supportive Housing Services Delivers Long-Term Impact

Supportive housing is a proven, cost-effective solution for addressing chronic homelessness and housing instability, particularly among individuals with complex needs such as mental illness, substance use disorders, and histories of incarceration. However, delivering the full spectrum of supportive services,

ranging from healthcare and behavioral health to employment support and tenancy stabilization, requires a multifaceted funding strategy.

The key to long-term housing stability lies in the integration of supportive services. These services are not ancillary; they are essential. They address the underlying challenges that often lead to chronic homelessness and housing instability, helping individuals remain housed, healthy, and engaged in their communities.

This guide underscores a critical insight: no single funding source can meet all service needs in supportive housing. Successful programs rely on blending and braiding a variety of funding streams and leveraging federal, state, local, philanthropic, and private funding sources to create a stable and responsive service infrastructure. Both approaches require strategic planning, compliance, and cross-sector collaboration.

For investors, this presents a compelling opportunity. By understanding and leveraging these funding mechanisms, investors can:

→ Maximize impact by aligning capital with sustainable service delivery models.
→ Mitigate risk through diversified funding sources and public-private partnerships.
→ Drive innovation by supporting scalable, replicable models that integrate housing, health, and social services.
→ Generate returns in the form of measurable social outcomes and long-term public cost savings.

Innovative strategies for funding supportive housing services, such as leveraging criminal legal system funds or Medicaid reimbursements, are expanding the landscape of what's possible. Investors who engage with these models are not only advancing housing stability and public health but also helping to build more resilient systems.

Supportive housing is more than a social good; it's a smart, strategic investment. But its true value lies not just in providing a roof over someone's head, but in pairing that housing with the supportive services that help individuals remain stably housed over time, help to address the root causes of homelessness, and prevent returns to costly crisis systems like shelters, emergency rooms, and jails.

Collaboration among Medicaid agencies, housing providers, behavioral health organizations, and community partners ensures that services are aligned, resources are maximized, and systems are responsive to the needs of populations.

Without wraparound supportive services, housing alone may not be enough for individuals with complex needs to maintain stability. Supportive services create the foundation for long-term success by promoting health, independence, and community integration. Ensuring sustainable funding for supportive housing services not only delivers measurable social outcomes but also reduces public costs and enhances the sustainability of housing investments.

In short, investing in supportive housing with robust services is not only compassionate but also fiscally responsible, results-driven, and essential for long-term impact. We hope this guide has equipped you with practical strategies and sparked new ideas to help advance innovative, sustainable solutions in communities across the country.

Learn More about the Homeless and Housing Resource Center

Providing high-quality, no-cost training for health and housing professionals in evidence-based practices that contributes to housing stability, recovery, and an end to homelessness.

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