

**New York State Senate and Assembly  
Joint Session on  
FY 2011-2012 Executive Budget for Mental Hygiene  
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**Supportive Housing Network of New York  
Ted Houghton, Executive Director**

Good afternoon. My name is Ted Houghton, and I am the Executive Director of the Supportive Housing Network of New York. The Network represents over 200 nonprofit providers and developers who operate over 43,000 supportive housing units throughout New York State, the largest supportive housing membership organization in the country.

Supportive housing – permanent, affordable housing linked to on-site services – is the proven, cost effective and humane way to provide stable homes to individuals and families who have difficulty finding and maintaining housing. The people we house and serve – people with mental illness, HIV/AIDS, substance abuse, and other barriers to independence – are typically frequent users of expensive emergency services like shelters, hospitals, prisons and psychiatric centers. Because placement into supportive housing has been proven to reduce use of these services, supportive housing saves State taxpayers’ money, often far more than what was spent building, operating and providing services in the housing. This has been proven, time and time again, by dozens of peer-reviewed academic studies.

Thank you for the opportunity to testify today. I would like to take the time to talk about the proposed cuts to community mental health services, the proposals of the Medicaid Redesign Team, expanding permanent housing for people with psychiatric disabilities and ensuring that there is sufficient funding for housing people with a history of substance abuse.

**Alternatives to Proposed Cuts to Community Mental Health Services**

This year’s Executive Budget proposes a 3.6%, \$121 million cut to the overall budget of the New York State Office of Mental Health. About \$27 million of

this is to mental health services in the community, as well as some State aid to localities. This is on top of the continuation of the freeze on Cost of Living Adjustments (COLAs) to staff in community-based mental health programs. Finally, last year's 1.1% cut to funding (with no accompanying reduction in the amount of services delivered) will be made permanent.

A better way to find equivalent savings would be to support the proposal of the Association for Community Living (ACL) to contract out to nonprofits community residences that are currently directly-operated by the State. This could save tens of millions of dollars. If this was accompanied by further reductions in State Psychiatric Center inpatient spending, we likely could avoid cuts to community mental health altogether.

### **Medicaid Redesign Team**

The Governor's Medicaid Redesign Team (MRT) voted last week to support an extraordinary package of proposals that will have enormous consequences for our mental health system. The proposals were broadly worded and considered very quickly, so it is difficult to know their full effect at this time. Certainly, the devil is in the details.

Briefly, here are some of our concerns:

**Behavioral Health Services Carve-Out:** We strongly support the continued carve-out of behavioral health services from mainstream managed care. Proposal 93 will establish interim behavioral health organizations to manage behavioral health services as we move toward a more integrated model of service delivery. Using specialty Behavioral Health Organizations (BHOs) to at first coordinate care, and over two or three years move toward what is likely to be a managed care model is vastly preferable to just turning over the behavioral health population to mainstream health plans that have had little experience with the high-need behavioral health population.

In some other states, BHOs have had success reducing costs, improving care and establishing innovative new approaches to mental health when states have taken a strong interest in managing them. We are pleased that the MRT proposal charges the State Office of Mental Health with managing this process. We believe that present OMH leadership will be in the best situation to manage the transition to managed care, to ensure that contracts with BHOs not only

restrict profits and administrative costs, but also follow recovery model of care with a central role for peer initiatives.

And in reducing costs, some BHOs have been able to reinvest savings into the creation of new supportive housing opportunities. Stable, appropriate and affordable housing is essential to mental health recovery. Expanding access to housing should be a central goal of this effort.

As we move forward, it will be important to have both mental health advocates and providers fully involved in the process. At the present time, we strongly urge you to support Proposal 93 as written.

**Prescriber Prevails:** We do not support a provision in the MRT proposal that would restrict access to specific medications for people with special needs, including those with psychiatric disabilities and HIV/AIDS. Medications for these groups are excluded from the State's Preferred Drug Program because the State has always recognized that there can be long-term harm done to people with serious conditions when they are denied access to the drug that works best for them and are made to "fail first" on another state-approved drug. We expect that improved care coordination by BHOs will achieve significant reductions in costs this year, making reducing access to certain medications unnecessary. Rather than imposing prior authorization on vulnerable populations who have often had difficulties finding the medication most effective for them, this MRT proposal should be eliminated so that the "prescriber prevails" as to deciding the best course of medication for their patient.

**Utilization Controls on Behavioral Health Clinics:** The MRT proposes to further limitations on the number of visits one individual can make to clinics. We do not support further reducing payments to clinics as they try to provide an adequate level of services to the most challenging to serve.

**Maximizing Peer Services:** The Network's providers have found that expanding peer support and employment opportunities have been central to the success of our housing and programs. Peers are uniquely qualified to help other residents achieve recovery, so we are pleased to see the MRT put particular emphasis on using Medicaid to fund peer supports utilized in new health homes.

**Triple New York City's Managed Addiction Treatment Program (MATS):** The MATS case management program in New York City has shown promising success in lowering Medicaid costs and improving coordination of care for people with substance abuse issues. We are pleased to see it expanded.

**Supportive Housing Interagency Workgroup:** Lastly, we are pleased to see the MRT propose a workgroup to develop a proposal by July 1<sup>st</sup> to create between 5,000 and 10,000 housing opportunities for persons at risk of nursing home placements. We strongly support this effort and urge that the workgroup include representatives of nonprofits who are expert in supportive housing development and management. It is important to have at the table the people who actually operate this housing, who have developed and perfected the effective service models that have made supportive housing so successful. We further urge that the proposal explicitly give OMH a leadership role in this effort. While the Department of Health has made a little progress in the past four years to improve its record on housing, and has begun to support new housing initiatives, OMH now has thirty years of experience in this field. The housing created by the partnership of OMH and the State's housing agencies has in particular provided the most integrated and best quality housing for vulnerable populations. It is important that the any housing created as an alternative to nursing homes is not just a less expensive nursing home, but is instead is as close as possible to a permanent apartment well-integrated into the community with all the comforts of home, linked to any essential services that ensure the tenant's independence.

### **Expand Mental Health Housing**

While we are excited at the prospect of the MRT's new supportive housing initiative, we are concerned that the State Office of Mental Health has been forced to back away from its current commitments to expand permanent housing for people with psychiatric disabilities. We know that supportive housing achieves substantial savings when targeted to populations who use a lot of emergency services. The sooner we create this housing, the sooner we can achieve these savings at the same time we improve the quality of their lives.

New York has led the nation in creating supportive housing models that increase people's stability and independence. Our State Office of Mental Health was probably the first in the country to recognize the importance of stable, affordable housing in mental health recovery, and has made an enormous commitment to expanding housing opportunities for this

population. We appreciate the leadership that OMH has demonstrated in maintaining their commitment to the New York/New York III Supportive Housing Agreement, the 10-year City/State commitment to create 9,000 new units of supportive housing in New York City. Certainly, OMH deserves high praise for helping to measure and demonstrate the public savings associated

with supportive housing, leading many other states and localities to launch major investments in expanding supportive housing for vulnerable populations in order to lower their own spending on expensive emergency interventions.

Next door in Connecticut, the Governor there has proposed a major new supportive housing development initiative because he knows supportive housing is one of the quickest ways for his state to achieve savings. Here in New York, Governor Cuomo likewise protected capital funding for affordable housing at the State housing agency. But we were dismayed to see that the Executive Budget proposes to “freeze” spending on supportive housing production.

**Unfreeze Growth of Supportive Housing:** There are many reasons to support an expansion of affordable housing development: the housing shortage downstate is the worst it has ever been; affordable housing has proven to improve all sorts of social, educational and health outcomes; and housing construction is an effective driver of economic growth.

Supportive housing development also achieves all of these goals, but in addition, it greatly reduces the use of shelters, hospital emergency rooms, psychiatric centers and a whole range of expensive emergency interventions. When a multiply-disabled homeless individual is placed into a supportive housing unit, public costs go down immediately, usually far in excess of the cost of the initial public investment.

This year’s Executive Budget proposes to freeze all new capital and expense budget spending on Community Residential Programs for a year. For the development of new apartment buildings, this freeze will save little or no money this year, as almost all of the capital funds will actually be spent the following year or two, when capital construction commences. The freeze will only serve to stop OMH from approving new residences from moving forward.

Freezing scattered-site units saves money this year, but only on paper. At present, over 1,600 units statewide are already “frozen.” This proposal puts hundreds more in limbo. Many of these units are scattered-site rentals linked to service funding that could be rented up and filled with currently homeless, ill-housed and institutionalized people in a matter of months. By freezing them, we are condemning these vulnerable individuals to unhealthy, restricted lives, while continuing to force ourselves to pay for the high costs associated with sheltering them in inadequate or inappropriate settings.

The sooner we build and create more supportive housing, the sooner we begin to save. At the same time, we improve the lives of vulnerable people, as well as the quality of the communities in which we live. The economic activity generated helps fuel our State's economy now, even as most of the costs will be borne in the future when the State is in better fiscal shape. The Medicaid Redesign Team has come to understand this and has proposed a major new housing initiative; there is no reason to ignore this concept here and go in the opposite direction. We urge you to convince the Governor to strike out language that freezes the creation of new units and accelerate production of new supportive housing units for people with psychiatric disabilities.

**Adult Homes:** One reason given for the freeze on supportive housing expansion is that OMH must respond to a 2010 Federal court order to provide housing and services for 4,500 individuals living in some large, proprietary adult homes in New York City. This year's executive budget proposes to take 250 units of this development pipeline and "reprogram" these beds to meet adult home litigation requirements. Much of the funding required to pay for the new units for adult home residents comes at the expense of homeless shelter residents with psychiatric disabilities who will have to wait longer for housing to be created for them. In effect, the litigation does little more than put one vulnerable population with psychiatric disabilities, adult home residents, ahead of the line of another – homeless people.

After more than a decade since the New York Times exposed the dreadful conditions in adult homes, the money has at last been budgeted to pay for the housing that will finally allow adult home residents to move to integrated housing in the community. However, just last week, a decision was made by the court to grant the State a stay that allows it not to meet the requirements of the court order to house adult home residents until the litigation is completed.

Just because the court case continues, there is no need to delay justice for the adult home residents. The State should continue with its initiative and activate the contracts awarded by the recent RFP and begin filling the units while the litigation winds its way to resolution. The stay actually provides us an opportunity to address the need to provide housing and services to the people currently living in adult homes in New York City, as well as homeless people, through a more collaborative, cost-effective and meaningful way. Budgeted scattered-site supported housing units can be offered to adult home residents, but also to residents of existing supportive housing residences who are ready for more independent living. Adult home residents can then be offered a

broader choice of moving into the vacancies created in these residences, giving them more options in where and how they want to live. Both populations get housed, more quickly, and both get more choices. And it's already in the budget. Everybody wins.

Specifically, the Network is requesting the Legislature to:

- Move forward with spending the \$40.3 million originally budgeted for the adult home litigation to rent up supported housing in the New York City region;
- Allow the 1,600 OMH supportive housing units now frozen in the statewide development pipeline to move forward; and
- Do not freeze new OMH Community Residential programs for one year and allow the continued investment in supportive housing to proceed.

### **Meeting the State's Commitment to House People with a History of Homelessness and Substance Abuse**

The NYS Office of Alcoholism and Substance Abuse Services (OASAS) is also a state partner in the New York/New York III Agreement. Of the 9,000 units in the Agreement, OASAS is committed to funding the rental subsidy and service funding for 750 of them. To fully fund the New York/New York III units that are open or opening this year, OASAS needs \$11.6 million in the SFY 2011-2012 budget.

In the first five years of the initiative OASAS has met their commitment in full. Unfortunately the Executive Budget did not include language specific to OASAS' New York/New York III housing and we have been unable to get confirmation from the Administration regarding this budget line.

There are 1,057 formerly homeless and at-risk individuals with a history of substance abuse that are stably housed because of this funding. We must do everything in our power to ensure that they do not end up on the street again. Therefore we urge the legislature to confirm that this funding is indeed in the budget for 2011-2012 and work to restore this funding if it is not.

### **Conclusion**

This year's Executive Budget proposes extensive cuts in just about every area of services and supports that help poor and middle class families and individuals who struggle to maintain a decent quality of life in New York State. Even if we are able to restore the most destructive of these cuts, the

consequences of a smaller budget are going to have a damaging effect on millions of vulnerable New Yorkers.

At the same time, more, ill-advised cuts are being proposed in Washington that are likely to send our economy back into recession. This will further increase the need for low-income housing subsidies, homelessness prevention, community-based services and employment programs, just as these very same programs are being sharply scaled back. It is going to be a very difficult year.

### **Extend the Personal Income Tax Surcharge**

That is why we must take a moment and appeal to you to extend and make permanent the Personal Income Tax Surcharge. I am all for slowing the growth of the State budget, and finding new efficiencies and savings. Some proposals to curb spending are quite promising. But if this budget is truly going to be fair, if it is going to spread the pain evenly, we must ask the very wealthiest New Yorkers to contribute during this time of need. A huge portion of our \$10 billion budget deficit is caused by allowing the PIT Surcharge to expire. The least we can do is to ask New Yorkers who continue to earn large incomes to pay a fair tax rate.

There are a number of compelling reasons to support the surcharge:

- People earning over \$200,000 a year have, on average, seen their incomes double over the past seven years. The rest of us have seen our incomes barely keep up with inflation.
- At the same time, wealthy taxpayers have been very successful at getting steady decreases in the amount they are taxed. Over the past 25 years, the marginal tax in the top brackets has been reduced from more than 15% to less than 7%.
- The very wealthiest New Yorkers earn most of their income through profits off of investments, for which they pay a capital gains tax of just 15%. The rest of us who earn our pay by working for it must pay rates that approach twice that. With so many low income and middle class families struggling this year, how can we justify this inequity?
- Most of the \$5 billion secured by extending the surcharge would otherwise be accumulating in rich people's accounts all over the globe, generating very little economic activity in New York. If it is instead collected by government and spent locally to provide critical safety net supports and preserve teaching, public safety, social service and other

- essential jobs, it will create the economic multiplier effect we need to pull our state out of recession.
- State income taxes are deducted from federal income taxes, meaning that one-third of the surcharge will be paid for by the federal government, doing a little to correct the structural imbalance that has New York paying far more than it receives from the federal government.
  - This is NOT a tax increase. It is a continuation of a current tax.

We urge you to respond to the wishes of 78% of New Yorkers and extend the personal income tax surcharge. To go against the interests of the vast majority of the public in order to aid the very wealthy would just confirm to them that money is all that matters in our legislative process. Remember, this budget proposes to make over ten thousand formerly homeless families and individuals who are now housed homeless again; it will eliminate daycare for women who have got off welfare and are now working, meaning they will go back on public assistance. It will cause localities to close senior centers, lay off teachers, and reduce funding for food pantries that are already overwhelmed by the demand. To give a tax break to the fortunate few, while hundreds of thousands of poor children across New York State are literally going without dinner, is unconscionable. I hope that you will fight for the extension of the surcharge so that we can restore the essential supports and services that help our most vulnerable citizens and make New York State a great place to live.

Thank you for this opportunity to testify.

*Respectfully submitted by:*

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