

# Cost of Homelessness

For many city officials, community leaders, and even direct service providers, it often seems that placing homeless people in shelters is the most inexpensive way to meet the basic needs of people experiencing homelessness; some may even believe that shelters are an ideal solution.

Research, however, has shown something surprisingly different.

The cost of homelessness can be quite high. Hospitalization, medical treatment, incarceration, police intervention, and emergency shelter expenses can add up quickly, making homelessness surprisingly expensive for municipalities and taxpayers.

## Hospitalization and Medical Treatment

People experiencing homelessness are more likely to access the most costly health care services.

- According to a report in the New England Journal of Medicine, homeless people spent an average of four days longer per hospital visit than comparable non-homeless people. This extra cost, approximately \$2,414 per hospitalization, is attributable to homelessness.
- A study of hospital admissions of homeless people in Hawaii revealed that 1,751 adults were responsible for 564 hospitalizations and \$4 million in admission costs. Their rate of psychiatric hospitalization was over 100 times higher than their non-homeless cohort. The researchers conducting the study estimate that the excess cost for treating these homeless individuals was \$3.5 million or about \$2,000 per person.

Homelessness both causes and results from serious health care issues, including addiction, psychological disorders, HIV/AIDS, and a host of other ailments that require long-term, consistent care. Homelessness inhibits this care, as housing instability often detracts from regular medical attention, access to treatment, and recuperation. This inability to treat medical problems can aggravate these problems, making them both more dangerous and more costly.

As an example, physician and health care expert Michael Siegel found that the average cost to cure an alcohol-related illness is approximately \$10,660. Another study found that the average cost to California hospitals of treating a substance abuser is about \$8,360 for those in treatment, and \$14,740 for those who are not.

## Prisons and Jails

People who are homeless spend more time in jail or prison, which is tremendously costly to the state and locality. Often, time served is a result of laws specifically targeting the homeless population, including regulations against loitering, sleeping in cars, and begging.

- According to a University of Texas two-year survey of homeless individuals, each person cost the taxpayers \$14,480 per year, primarily for overnight jail.
  - A typical cost of a prison bed in a state or federal prison is \$20,000 per year.

## Emergency Shelter

Emergency shelter is a costly alternative to permanent housing. While it is sometimes necessary for short-term crises, too often it serves as long-term housing. The cost of an emergency shelter bed funded by HUD's Emergency Shelter Grants program is approximately \$8,067 more than the average annual cost of a federal housing subsidy (Section 8 Housing Certificate). A [recent HUD study](#) found that the cost of providing emergency shelter to families is generally as much or more than the cost of placing them in transitional or permanent housing.

## Cost Studies

Studies have shown that – in practice, and not just in theory – providing people experiencing chronic homelessness with permanent supportive housing saves taxpayers money.

Permanent supportive housing refers to permanent housing coupled with supportive services.

- A study recent study followed the progress of the Downtown Emergency Service Center (DESC) in Seattle, WA. All the residents at this [Housing First](#)-styled residence had severe alcohol problems and varying medical and mental health conditions. When taking into account all costs – including housing costs – the participants in the 1811 Eastlake program cost \$2,449 less per person per month than those who were in conventional city shelters, as described in the article from the [Journal of American Medical Association](#).
- A [cost study](#) of rural homelessness from Portland, ME found significant cost reductions when providing permanent supportive housing as opposed to serving the people while they remain homeless. The study specifically noted a 57 percent reduction in the cost of mental health services over a six-month period, partly due to a 79 percent drop in the cost of psychiatric hospitalization.
- A [study from Los Angeles, CA](#) – home to ten percent of the entire homeless population – found that placing four chronically homeless people into permanent supportive housing saved the city more than \$80,000 per year.

For more information on the cost savings of permanent supportive housing, view our [policy brief](#) on chronic homelessness or visit our [interactive tool](#) on the subject.

While seemingly counterintuitive, these examples clearly demonstrate that a housing-based approach to homelessness is not only more cost-effective than a shelter-based approach, but more effective in the long term. By focusing our resources on ending homelessness, we can make real progress toward eradicating the social problem while helping the country's most vulnerable residents.

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