COMMONWEALTH of VIRGINIA

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January 16, 2026

To: The Honorable Glenn A. Youngkin, Governor of Virginia
The Honorable Louis L. Lucas, Chair, Senate Finance Committee
The Honorable Luke E. Torian, Chair, House Appropriations Committee

From: Nelson Smith, Commissioner, Department of Behavioral Health and Developmental Services

RE: Item 297 Y.2, 2025 Appropriation Act

This report responds to Item 297 Y.2 of the 2025 Appropriation Act requiring the Department of Behavioral Health and Developmental Services (DBHDS) to submit a report on Permanent Supportive Housing funds for adults with serious mental illness. The language states:

The Department of Behavioral Health and Developmental Services shall report on the number of individuals who are discharged from state behavioral health hospitals who receive supportive housing services, the number of individuals who are on the hospitals' extraordinary barrier list who could receive supportive housing services, and the number of individuals in the community who receive supportive housing services and whether they are at risk of institutionalization. In addition, the department shall report on the average length of stay in permanent supportive housing for individuals receiving such services and report how the funding is reinvested when individuals discontinue receiving such services. The report shall be provided to the Chairmen of the House Appropriations and Senate Finance Committee by November 1 of each year.

Cc: The Honorable Janet V. Kelly, Secretary of Health and Human Resources

DBHDS

Virginia Department of Behavioral Health and Developmental Services

Permanent Supportive Housing: Outcomes and Impact

(Item 297 Y.2)

November 1, 2025

A Life of Possibilities for All Virginians

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Preface

This report responds to Item 297 Y.2 of the 2025 Appropriation Act requiring the Department of Behavioral Health and Developmental Services (DBHDS) to submit a report on Permanent Supportive Housing funds for adults with serious mental illness. The language states:

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Permanent Supportive Housing: Outcomes and Impact

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Executive Summary

Permanent supportive housing (PSH) is an evidence-based practice for adults with serious mental illness (SMI) that has been implemented, refined, and studied for more than three decades. A notable subset of individuals with SMI are unstably housed or are homeless and, as a result, have poor behavioral health outcomes and are high utilizers of costly treatment and criminal justice resources. Multiple peer-reviewed research studies, including nine randomized controlled trials, have found that PSH is particularly effective in improving participants' housing stability and reducing their emergency department and inpatient hospital utilization.[1]

The two core components of the PSH model are (1) affordable rental housing that is leased by the tenant under standard terms and (2) community-based supportive services designed to assist individuals with improving behavioral health conditions and maintaining housing. PSH is widely endorsed as a critical resource to prevent unnecessary institutional stays and facilitate discharges from institutions for persons with disabilities as required by the Americans with Disabilities Act, as interpreted by the U.S. Supreme Court's *Olmstead* decision.

In state fiscal year 2025, the Virginia General Assembly appropriated more than $86 million to DBHDS to fund permanent supportive housing for very low-income individuals with SMI. DBHDS adopted evidence-based practice standards for Permanent Supportive Housing from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) to define the program model, operating standards, and evaluation framework for Virginia's PSH program. This report describes key characteristics of the program and its participants as well as statewide outcomes for the 2,763 individuals who were housed between February 6, 2016 and June 30, 2025.

Findings in this report support the value of investment in PSH for this population:

- 44 percent were hospitalized in a state psychiatric facility at some point in their lifetimes
- 94 percent of individuals served in PSH remained stably housed for at least one year
- State hospital utilization of individuals served in PSH decreased 73.9 percent the year after PSH move-in, resulting in avoided costs of $41.26 million for this cohort
- 355 individuals have been discharged from a state psychiatric hospital into DBHDS PSH
- Discharges to institutional settings occurred for only 10.6 percent of those served since program inception

[1] Center for Budget and Policy Priorities. (2016). Supportive Housing Helps Vulnerable People Live and Thrive in the Community. Retrieved from http://www.cbpp.org/research/housing/supportive-housing-helps-vulnerable-people-live-and-thrive-in-the-community#_ftn27

Permanent Supportive Housing Program Characteristics

Housing and Supportive Services Components

The large majority of DBHDS PSH funds are used in a scattered-site approach where individuals choose their own rental unit from those available on the private market that meet affordability and quality standards established by the federal Department of Housing and Urban Development (HUD). Most PSH funds are spent on rental subsidies as individuals with disabilities are typically unable to afford those market rate units. PSH tenants also contribute approximately thirty percent of their income to rent. Other eligible housing costs include security deposits, application fees, and items needed to establish a household, such as furnishings.

PSH funds also support the costs of housing stabilization services, related operational costs, and local program administration. PSH housing specialists assist individuals with locating and moving into housing; understanding the rights and responsibilities of tenancy; establishing and following a budget; communicating effectively with landlords and neighbors; utilizing community resources and supports; and improving household management skills. Housing specialists also coordinate with participants' behavioral health service providers to ensure their emerging needs are addressed proactively to promote housing stability, recovery, and quality of life, thereby reducing the over-utilization of costly institutional care.

Over the last several years, DBHDS has expanded the models of PSH that are supported with state funds in order to leverage various public-private partnerships. For example, funds have been granted to non-profit supportive service providers to pair with Low Income Housing Tax Credit (LIHTC) units provided to DBHDS's referrals through Virginia Housing's First Leasing Preference.

Additionally, DBHDS has entered into agreements directly with public housing authorities in Northern Virginia to administer PSH rental subsidies. Ongoing supportive services will be provided by non-profit supportive housing teams, and Community Services Boards (CSBs). This approach is distinct from the scattered-site PSH program model as first implemented and is expected to address key challenges presented in the Northern Virginia rental housing and services market.

Additional community behavioral health services received by PSH participants are provided by CSBs and private providers and are funded through other mechanisms including Medicaid; Medicare; and other federal, state, and local behavioral health funds. A key feature of the PSH model is that participants have access to a range of community-based behavioral health services that may change over time based on each individual's evolving needs, interests, and preferences. The type and intensity of behavioral health services provided varies, accordingly, by participant. Among the services accessed by PSH participants are Assertive Community Treatment (ACT), case management, peer support, mental health skill building, psychosocial rehabilitation, psychiatry, supported employment, and outpatient therapy.

Target Population

DBHDS PSH is targeted to address two pressing issues faced by individuals with SMI in Virginia: institutionalization and homelessness.

Eligible sub-populations of individuals with SMI include:

- Individuals being discharged from state psychiatric hospitals
- Individuals leaving supervised residential settings
- Individuals who meet HUD's definition of chronic homelessness or who are literally homeless and at-risk of chronic homelessness
- Individuals who are unstably housed and frequently using hospitals, crisis services, and/or criminal justice interventions

Individuals being discharged from state hospitals are prioritized over applicants from other prioritization categories.

PSH Providers and Slot Allocations

The separation of housing and services - through governance, operational, and policy structures - is a key component of the PSH model. In high fidelity PSH, housing is controlled by the individual, not by a provider, and tenancy is governed by a standard rental lease. DBHDS's PSH model typically includes tenant-based rental assistance used by individuals to secure rental units with private landlords in the community. This structure provides inherent separation of housing (private landlord) and services (CSBs and private providers). Still, the administration of rental assistance inevitably results in some provider control of housing. DBHDS PSH programs must establish a staffing structure, policies, and procedures that separate rental assistance administration functions from housing stabilization services.

In state fiscal year 2025, DBHDS contracted with 31 CSBs and five non-profits to provide PSH. Slot allocations in Table 1 reflect SFY 2025 funding obligations for providers that manage both rental assistance and supportive services staff.

Additionally, as part of its code-mandated responsibilities, DBHDS selects and monitors providers of Virginia's Auxiliary Grant in Supportive Housing (AGSH) setting, and those slots create additional PSH capacity as also indicated in Table 1. Several communities have also successfully partnered with their public housing authority to secure a commitment of federal housing choice vouchers to provide PSH to individuals with SMI. Each type of slot is operated according to best practice standards for PSH, using the staffing structure of a single, local program, some of which use multiple housing funding sources.

Table 1: PSH Slot Allocation by Provider (FY25)

	DBHDS PSH Slots	AGSH Slots	PHA Vouchers	Total Slots
Region 1	**689**	**0**	**20**	**709**
Alleghany Highlands	15	0	0	15
Encompass Community Services	61	0	20	81
Harrisonburg-Rockingham	85	0	0	85
Horizon	52	0	0	52
Northwestern	67	0	0	67
Rappahannock Area	91	0	0	91
Region Ten	123	0	0	123
Rockbridge	15	0	0	15
Valley	180	0	0	180
Region 2	**334**	**0**	**0**	**334**
Arlington	104	0	0	104
Pathway Homes* (Alexandria, Fairfax, Prince William)	230	0	0	230
Region 3	**611**	**120**	**4**	**735**
Blue Ridge	160	40	0	200
Danville-Pittsylvania	93	0	0	93
Highlands	53	15	0	68
Mt Rogers	135	45	4	184
New River Valley	60	5	0	65
Piedmont	55	8	0	63
Planning District 1 Behavioral Health Services	15	0	0	15
Southside	40	7	0	47
Region 4	**447**	**0**	**0**	**447**
Chesterfield	45	0	0	45
District 19	96	0	0	96
Henrico	80	0	0	80
Richmond Behavioral Health	226	0	0	226
Region 5	**786**	**0**	**10**	**796**
Chesapeake	50	0	0	50
Colonial	30	0	0	30
Hampton-Newport News	184	0	0	184
Middle Peninsula-Northern Neck CSB	15	0	0	15
Norfolk	199	0	10	209
Portsmouth	30	0	0	30
Virginia Beach	202	0	0	202
Western Tidewater	76	0	0	76
Grand Total	**2,867**	**120**	**34**	**3,021**

Individuals in the City of Alexandria County of Fairfax, Cities of Fairfax and Falls Church, Prince William County, Manassas City and Manassas Park also have access to dedicated rental assistance administered by a Public Housing Authority (PHA) or housing office as well as tenancy supports provided by non-profits, both under separate agreements with DBHDS. The CSB in each locality manages PSH referrals; provides clinical, treatment, rehabilitative, and recovery support services; provides Critical Time Intervention Case Management; and coordinates ongoing services between the CSB, Supportive Housing (SH) Team and PHA. Supportive Housing Teams provide SH services to assist individuals with securing and maintaining rental housing. Table 2 reflects the Northern Virginia partnerships that were formalized in SFY 2025 as well as the number of slots available in each locality.

Table 2: Northern Virginia Model - Obligated PSH Slots and Providers (FY25)

CSB	PSH Slot Allocation	Supportive Housing Team(s)	PHA/Housing Office
Alexandria	35	City of Alexandria, Office of Housing	City of Alexandria
Fairfax-Falls Church	300	Community Residences, Inc. (CRi) HopeLink Behavioral Health	Fairfax County Redevelopment and Housing Authority
Prince William	72	Community Residences, Inc. (CRi)	Prince William Office of Housing and Community Development
TOTAL	**407**		

An agreement has been executed between Virgina Housing, DBHDS, and the Virginia Department of Housing and Community Development (DHCD) that provides a leasing preference in new Low Income Housing Tax Credit (LIHTC) units for referrals from the target populations. In SFY 2025, three LIHTC Supportive Services providers worked with tenants in certain LIHTC properties throughout the Commonwealth as outlined below. State funds supported these services contracts which were expected to serve approximately 160 individuals with either SMI or a developmental disability.

Table 3: LIHTC Supportive Services Providers (FY25)

DBHDS LIHTC Supportive Services Provider	Projected Individuals Served	Localities
Volunteers of America	64	Cities of Lynchburg, Norfolk, Richmond and Virginia Beach
Community Residences, Inc. (CRi)	65	Cities of Alexandria, Arlington, Fairfax, McLean, and Manassas
Commonwealth Catholic Charities	33	City of Richmond

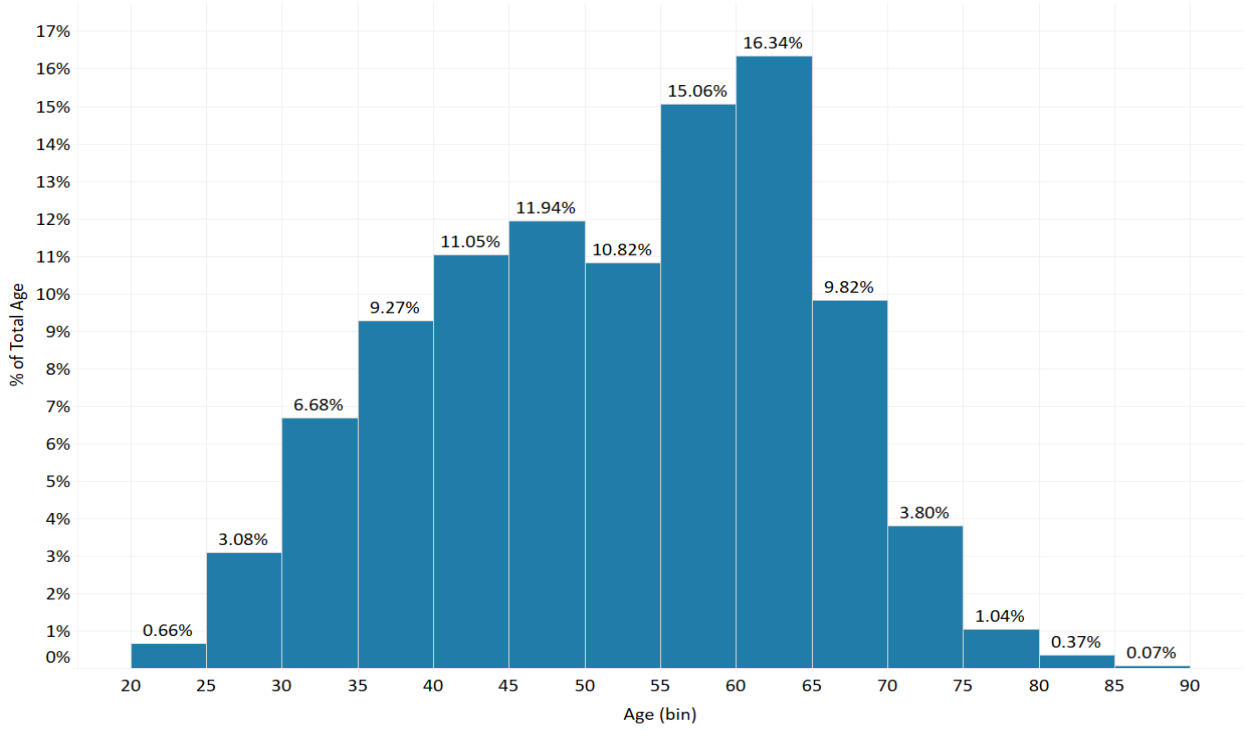
Permanent Supportive Housing Participant Characteristics

Data presented in this report is based on self-reports from structured interview tools, client-level program data from DBHDS PSH Outcomes database utilized by each of the participating sites, administrative data from the CSBs, and AVATAR data from state psychiatric hospitals. This report includes outcomes for the 2,763 DBHDS PSH participants who were housed between February 6, 2016 and June 30, 2025. On the last day of SFY 2025, 2,618 individuals were enrolled in DBHDS PSH, either through PSH SMI funds (2,512) or the AGSH program (83).

Demographics

Both the median and average age of individuals receiving PSH are 48 years. The distribution in Figure 1 shows two main peaks: ages 40–50 and 55–65. In the 40–50 range, 11.05% of individuals are between 40–45 and 11.94% are between 45–50, averaging 45 years. In the 55–65 range, 15.06% are between 55–60 and 16.34% are between 60–65, averaging 60 years. Together, these two age groups represent the largest share of the population served.

Figure 1: Age Distribution by Percentage



A majority of PSH participants (56.61%) are male, while 40.76% are female, and 2.63% have an unknown gender recorded. Self-reported racial identity reflects 41.92% who identify as Black and 49.12% as White, together making up over 90% of all participants. Smaller proportions include Asian (0.86%), Multi-race (1.37%), Native American (0.79%), and Native Hawaiian or Pacific Islander (0.14%). Additionally, 5.8% of participants' race is unknown. Approximately three percent (3.06%) identify as Hispanic, while 89.41% identify as Non-Hispanic, and 7.53% have no ethnicity reported.

These demographics show that PSH participants are predominantly male and disproportionately Black or White compared to other racial groups. Overall, the participant demographics align closely with broader patterns of homelessness in Virginia, where single adult males and individuals who identify as Black are disproportionately represented as compared to non-homeless populations in Virginia.

Table 4: Gender, Race, and Ethnicity of PSH Participants

Total Number of People	**2,763**		
Gender		**Race**	
Female	40.76%	Asian	0.86%
Male	56.61%	Black	41.92%
Unknown	2.63%	Multi-race	1.37%
Ethnicity		Native American	0.79%
Hispanic	3.06%	Native Hawaiian / Pacific Islander	0.14%
Non-Hispanic	89.41%	Unknown	5.80%
Unknown	7.53%	White	49.12%

State Behavioral Health Hospitals and PSH Access

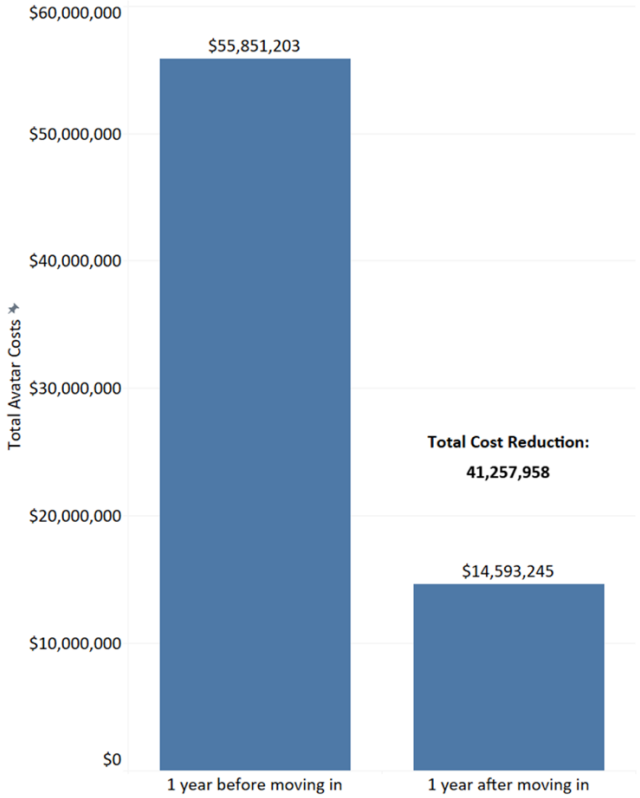
Nearly half, or 44%, of individuals served through PSH had at least one admission to a state psychiatric hospital in their lifetimes. Overall, 512 individuals (18.5%) had a stay in a state hospital in the year before PSH enrollment, and 355 individuals (12.85%) were enrolled in PSH as part of their state psychiatric hospital discharge plan.

Outcomes

State Behavioral Health Hospital Impact

State hospital utilization was examined for a cohort of 2,423 individuals who entered PSH at least one year before June 2025. The cost of state hospital bed days for this group in the year preceding PSH move-in was $55.9 million for 512 hospitalized individuals. The costs for 193 individuals hospitalized in the year after moving into PSH dropped 73.87 percent to $14.6 million, reflecting state hospital cost reduction of more than $41.26 million for this cohort.

Figure 2: State Hospital Cost Impact: One Year Before and After PSH Move-In (n=2,423)



Housing Stability, Length of Stay, and Reinvestment of Funds at Turnover

DBHDS PSH programs continue to maintain high rates of housing stability while still prioritizing individuals with significant support needs and histories of homelessness and institutional use. Ninety-four percent (94%) of individuals with at least 12 months of observation remained stably housed for one year or longer.

Length of Stay (LOS) is measured as the total number of months from an individual's PSH move-in date to the earlier of either their program discharge date or the end of the designated reporting period. For individuals who remain enrolled and housed at the conclusion of the reporting period, LOS is calculated through that closing date.

Across all individuals served in this period, the average LOS is approximately 53 months or about 4.4 years. Half of participants fall between 27 and 77 months. Ten percent have LOS under 15 months, and ten percent have over 91 months. As expected, active (not discharged) participants show a longer observed LOS (median 66 months) than discharged participants (median 26 months), reflecting ongoing time accrued in housing.

The overall LOS distribution is balanced, with a modest right tail from long-stayers. Recent cohorts - particularly 2023 to 2024 move-ins - show shorter observed LOS simply because they have had less time in housing as of the end of this reporting period.

PSH providers maintain active outreach to both individuals and referral networks. They fill slots that turnover by enrolling the next prioritized, eligible individual. These community engagement strategies ensure effective use of state resources.

Individuals at Risk of Institutionalization

Of the total 2,763 individuals served by a DBHDS PSH program since 2016, 293 or 10.6% were discharged from a program due to their need for a higher level of care or due to a long-term incarceration. "Higher levels of care" include treatment facilities (hospitals and residential substance use disorder treatment) and long-term care facilities (nursing homes, assisted living facilities, group homes, intermediate care facilities). Of the 67 individuals discharged to an inpatient setting, 51 were discharged to a state hospital and 16 were discharged to a local hospital. In addition to hospitals, 59 individuals (2.14%), have been discharged to a non-hospital higher level of care. One hundred-fifty individuals (5.42%) were discharged due to a long-term incarceration. PSH discharges for incarcerated individuals may occur when individuals are detained or serving sentences of more than 90 days, rendering them unable to return to their leased unit.

Table 5: All PSH Discharges to Institutional Settings (FY16 - FY25)

Discharges to Institutional Settings	N	Percentage of Total Served
Treatment Facility	**84**	**3.04 %**
Psychiatric Hospital	67	2.42 %
Substance Use Disorder Program	17	0.61 %
Long Term Care Facility	**59**	**2.14 %**
Group Home	4	0.14 %
Nursing Home	18	0.65 %
Assisted Living Facility	35	1.27 %
Intermediate Care Facility	2	0.07 %
Correctional Institution	**150**	**5.42 %**

Conclusion

Permanent Supportive Housing is achieving its intended purpose in Virginia: stabilizing housing for individuals with serious mental illness while reducing reliance on costly institutional care. Evidence from this report demonstrates that participants not only maintain housing at high rates but also experience substantial reductions in state hospital utilization, with corresponding cost savings to the Commonwealth. At the same time, PSH provides a pathway for individuals to engage more fully with community-based behavioral health services, supporting recovery, independence, and integration into the life of their communities.

These outcomes are particularly notable given that PSH is serving individuals with significant support needs, including those discharged directly from state psychiatric hospitals. By targeting

this population, PSH is addressing both institutionalization and homelessness, two of the most pressing challenges facing the behavioral health system.

The findings affirm that investment in PSH is a cost-effective and evidence-based strategy that delivers measurable benefits: stronger recovery outcomes for participants, reduced public expenditures, and greater compliance with state and federal mandates to support individuals with disabilities in the least restrictive setting. As the program continues to expand through partnerships with housing authorities, non-profit providers, and other community stakeholders, PSH remains a cornerstone of Virginia's behavioral health continuum and a critical component of efforts to build a more integrated, sustainable, and person-centered system of care.