

# Financing and Sustainability Options for Pre-Arrest Diversion Programs

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COMMUNITY CATALYST



# » I. Introduction

[Pre-arrest or pre-booking diversion](#)<sup>1</sup> programs for individuals at risk of arrest or incarceration related to alcohol and drug problems are becoming more common in communities across the country. In these programs, individuals are diverted to a [broad range of coordinated services](#), from housing and job training to counseling and treatment for mental health and substance use. The expanding number of pre-arrest diversion programs is driven by interest in preventing unnecessary incarceration, reducing use of criminal justice and high-cost health services and providing people with the services they need to live healthier lives.

Ensuring pre-arrest diversion programs are both comprehensive and sustainable requires diverse and deeply-rooted community and government support. In addition, no single source will likely be sufficient to fund an entire pre-arrest diversion program's service and operational needs year after year. Communities planning diversion programs should look at the target populations that will be reached, evaluate the local landscape for existing resources and gaps, and then attempt to thread together multiple funding mechanisms to create a long-term funding plan.

Many options are available to pay for components of a pre-arrest diversion program, from health insurance and health care institutions to housing programs and government and philanthropic grants. This brief draws on six broad financing sources that communities can consider to fund the range of services needed for pre-arrest diversion programs.

## These Six Sources Are:

- 1 [Medicaid](#)
- 2 [Adapted Medicaid models, such as Health Homes & waivers](#)
- 3 [Other federal funding opportunities](#)
- 4 [State and local funding](#)
- 5 [Health institutions, including hospitals](#)
- 6 [Private and philanthropic funding](#)

## Action Tips:

- » Start fundraising conversations early, and consider hiring an external fundraising consultant or establishing a workgroup in your coalition or planning committee to focus on fundraising outreach.
- » Research and engage local programs and funding partners with common interests.
- » Match funding sources to meet the needs of the participants in your local diversion program, including funding for staffing, case management, health care, housing and other services.
- » Build alliances with other organizations and advocates who have leveraged similar sources and can share experience, connections or guidance.
- » Be creative and innovative, open to new collaborations and to working across health and justice systems.

<sup>1</sup> In this document, we use pre-arrest diversion as shorthand for pre-arrest or pre-booking diversion.

## Medicaid

Medicaid provides free or low-cost health care coverage for low-income people who meet their state's specified eligibility criteria. In states that expanded Medicaid under the Affordable Care Act, more people are eligible, including single adults without disabilities and childless adults. Medicaid enrollment is open year-round, which means diversion participants can quickly be enrolled to gain coverage when needed.

For those who qualify for Medicaid, the program would pay for many health-related services, including primary care and specialty care visits, medications, counseling, hospital services and other substance use and mental health treatment options. Depending on the state's policies, Medicaid may also cover a broad range of non-medical services, such as peer support, targeted case management, care coordination, harm reduction and other recovery services.

For example, in Santa Fe, NM, the [Law Enforcement Assisted Diversion \(LEAD\) program](#), many participants are eligible for Medicaid and case managers sign them up for coverage to pay for health services within days of entering the program. Transitions Clinics offer another example. They are not diversion programs, but are a national network of safety net health centers that serve individuals with chronic conditions returning to society after incarceration. Through a peer-led model, [Transitions Clinics](#) provide services that are covered by Medicaid via a rule change allowing billing for peers under the supervision of a licensed clinician.

## Adapted Medicaid Models

Medicaid also offers alternative coverage models, depending on state-elected options and contractual agreements with the federal Centers for Medicare & Medicaid Services (CMS). Health Homes and waivers both provide unique opportunities to develop patient-centered delivery models for targeted populations, as described below.

**Medicaid Health Homes** are designed to deliver comprehensive coordinated care for people with chronic or severe mental or physical illness, which can include substance

### Medicaid Action Tips:

- » Meet with state Medicaid officials, [consumer advocates](#) and Medicaid service providers to become familiar with eligibility requirements and benefits of coverage.
- » Enroll diversion program participants to ensure payment for needed health services.
- » Help prepare providers who are knowledgeable about diversion populations to bill Medicaid for services to participants. Work with local provider associations to identify and help these providers get Medicaid certification. Some community based providers will also need increased billing capacity to manage Medicaid requirements.
- » Join consumer health advocates and others to [advocate for statewide Medicaid expansion](#) under the Affordable Care Act to cover more low-income adults without children.
- » Educate state Medicaid officials about pre-arrest diversion programs to gain their support.

use disorders. To establish [Health Homes](#), a state must apply to the federal government and designate the populations to be covered. The federal government will provide 90 percent in matching funds for health home services for each eligible Medicaid enrollee for 24 months.

Medicaid Health Homes can provide [case management](#), coordination of services, transitional care and referrals to community and social supports for participants in pre-arrest diversion programs if they meet the Health Home criteria.

For example, in Albany, NY, the LEAD program is investigating using a Health Home model specifically for people involved in the criminal justice system, with the goal of financing services and case management in the pre-arrest diversion program. In some states such as Rhode Island, Maryland and Vermont, Health Homes focus specifically on populations with opioid dependency.

**1115 Demonstration Waivers and other federal Medicaid waivers** give states permission to “waive” certain rules or restrictions, often expanding what Medicaid will cover and/or who it covers, and providing flexibility to test new care delivery models. Many models may expand benefits and focus on mental health and substance use services that will benefit participants in a pre-arrest diversion program. [Delivery System Reform Incentive Payment \(DSRIP\)](#) waivers offer funding to states to change how they provide care to individuals with Medicaid coverage and [State Innovation Model waivers](#) fund states to improve quality and reduce costs.

States could design a waiver that enables participants in a pre-arrest diversion program who qualify for Medicaid to have access to a broader array of substance use services including expanded provider networks and more supportive services such as comprehensive recovery services.

For example, in Albany, the LEAD program used the state’s DSRIP waiver through Albany Medical Center to fund case management services. This was due to an intersection of the goals of LEAD and DSRIP, specifically reduced preventable hospitalizations and reduced criminal justice involvement. In California, the recently renewed 1115 Waiver includes access to housing and supportive services for individuals who require more care than most people and those experiencing or at risk for homelessness.

### Health Homes Action Tips:

- » Find out if your state has established [Health Homes](#) and whether diversion participants would meet the criteria.
- » Educate state officials overseeing the Health Home program and Health Home providers about pre-arrest diversion.
- » Explore whether providers who you want to be part of the diversion program, particularly for case management, can be designated as Health Homes.
- » If your state does not have Health Homes, meet with state health and Medicaid officials to assess their interest and to encourage them to develop Health Homes that could help serve diversion populations. Work with consumer advocates and interested providers in this advocacy.

## Other Federal Funding

Various departments within the federal government offer grants to government offices, nonprofits, and other organizations to support innovative activities that address public needs. Block grants awarded through set criteria and discretionary grants awarded through a competitive process are two of the most common types. Many of these federally-funded grants can provide targeted services for special populations, including those who may be participants in a pre-arrest diversion program.

For participants in a pre-arrest diversion program, federal grant programs can be tapped for a number of health, housing and other financial assistance and social supports.

For example, Santa Fe LEAD uses a SAMHSA block grant to cover residential treatment for mental health and substance use. Santa Fe also uses federal HUD dollars to provide diversion participants with rental assistance and long-term security through permanent housing vouchers.

### Federal funding sources for state or local agencies or organizations designing programs:

» **Substance Abuse and Mental Health Services Administration (SAMHSA)** provides multiple grant programs for substance use-related health and social support services, including [Block Grants](#) and targeted funding to states. SAMHSA's [Projects for Assistance in](#)

[Transition from Homelessness \(PATH\)](#) offers outreach to people who are homeless, case management, and housing support services through grants to local organizations. The [Law Enforcement and Behavioral Health Partnerships for Early Diversion](#) program is specifically targeted at keeping individuals with mental illness and/or substance use problems out of the criminal justice system and funds treatment and services, peer support and targeted case management. A recent [SAMHSA grant program](#) launched in 2016 allocates funds for the expansion of medication-assisted treatment services to address the opioid epidemic.

### Waiver Action Tips:

» Encourage states to apply for a waiver or other demonstration project status and use the federally-required stakeholder engagement process to provide input on how serving diversion populations can help achieve waiver goals. Be aware, however, that waivers are large-scale undertakings and often require multi-year planning. Investigate existing or in-progress demonstration projects in the state to identify opportunities to incorporate expanded service coverage or to use expected savings for pre-arrest diversion programs.

» Work with institutions with investment or interest in demonstration projects, state officials and health and Medicaid agency officials, and consumer health advocates knowledgeable about how waivers work.

- » **Department of Justice (DOJ)** grants support projects that provide training and technical assistance and improve the criminal justice system. Various community-focused grant programs exist through the Bureau of Justice Assistance, including [Community Oriented Policing Services \(COPS\)](#) and [High Intensity Drug Trafficking Areas \(HIDTA\)](#) programs, which both include prevention and treatment initiatives. The [Edward Byrne Memorial Justice Assistance Grant \(JAG\)](#) program primarily supports re-entry programs providing job training, housing, health care and other services, but also funds strategies to divert individuals with mental illness away from incarceration and into community-based treatment. Additionally, the [Justice and Mental Health Collaboration Program \(JMHC\)](#) supports collaboration across mental health and justice systems to provide treatment and services for individuals with mental illness and drug and alcohol problems.
- » **Health Resources and Services Administration (HRSA)** grants are awarded to public and nonprofit health organizations that improve and expand health care services for underserved people. HRSA [awarded \\$100 million](#) in 2015 and another [\\$94 million](#) in 2016 to expand substance use treatment to nearly 300 community health centers across the country. The [Ryan White Comprehensive AIDS Resources Emergency Act \(CARE\)](#) program is administered through HRSA and provides grant funding to states, medical programs and community-based organizations. CARE programs offer services and support to individuals with HIV/AIDS, including mental health and substance use treatment.
- » **Syringe Services Programs (SSPs)** are eligible for federal funds, when administered by state and local organizations approved by the Centers for Disease Control and Prevention (CDC). Grants can be used to fund all programmatic elements of an SSP except for the exchange or provision of the needle itself. Programs and services eligible for funding include personnel/staff, vans, substance use counseling, naloxone, testing kits for HIV/hepatitis C, referral to treatment services for substance use and infectious diseases, and outreach and education in at-risk communities.

### Federal funding sources for direct services:

- » **Department of Housing and Urban Development (HUD)** grants for states and nonprofit organizations that fund rental and housing vouchers, public housing and assistance for transition to permanent housing. HUD's [Continuum of Care](#) grants help state or nonprofit housing programs quickly rehouse homeless individuals and provide supportive services to optimize self-sufficiency. A [Pay for](#)

Success Demonstration program between HUD and DOJ is making grants available for housing, mental health and substance use treatment and services, targeted case management and care coordination for populations cycling between the criminal justice system and homeless services.

- » The **Administration for Children and Families (ACF)** provides states with block grants to develop state-level assistance programs, such as Temporary Assistance for Needy Families (TANF). Local TANF programs provide temporary financial assistance for low-income families for child care, job training, utilities, work assistance and transportation.
- » **Other federal agencies** offer funding and programs for a range of services that may be important for diversion programs and participants, including monthly food assistance through the Supplemental Nutrition Assistance Program (SNAP) and health and substance use treatment services for veterans through the Veterans Health Administration.

### Other Federal Funding Action Tips:

- » Identify federal agencies and funding programs that align with organizational needs. Monitor prospects for funding from those agencies by scanning Funding Opportunity Announcements (FOAs). FOAs will give you a better understanding of the focus and eligibility requirements.
- » Become familiar with federal grant opportunities and apply for discretionary grant funds. Grants.gov provides information about federal grant opportunities searchable by date, category, funding agency or eligibility. The site also provides a learning center to help organizations get familiar with federal grant-making policies. The Guide to Successfully Preparing for Federal Grants helps outline the elements necessary to writing successful federal grant applications.
- » Identify local or regional agencies funded through federal grants and explore whether there is an opportunity to establish partnerships for services. Learn about grantees by checking the federal program website; sometimes the program will list information about grantees. Be aware, however, that some funding streams are strongly guarded by currently-funded agencies.

## State and Local Government Funding

Pre-arrest diversion programs are grounded in the communities they serve and are often part of city- or county-wide collaborations. It may be a natural fit to seek support and investments from municipal, county and state government appropriations or grants to help finance the whole range of staffing, programmatic and service delivery costs of a pre-arrest diversion program.

- **Budget appropriations** from the state, city or county are usually allocated annually by state legislatures and city and county level governments.
- **Grants** from state, city or county-based agencies, such as a county health department, may be awarded annually or on a rolling basis depending on the agency.
- **Alcohol or sales tax revenues** collected by a state or city may be earmarked for distribution to specific programs.
- **Law enforcement funding** can be directed to community initiatives that support reducing unnecessary incarceration.
- **Legal Aid** and other local service agencies can provide assistance for participants in a diversion program.

State and local government funding can support many operational needs of a pre-arrest diversion program, including staffing, case management and community liaisons, as well as supplementing funds for emergency housing or other non-medical needs such as food, transportation and clothing for participants.

For example, Maine lawmakers committed \$1.1 million in “emergency funding” in 2016 for diversion grants to cities and towns or law enforcement agencies; participating communities will be given flexibility to adapt their policing efforts as needed in the areas of enforcement, education and treatment. California’s 2016 - 2017 state budget also included \$15 million to establish and evaluate up to three LEAD pilots. In Santa Fe, the city appropriates funding and contracts with a local social service organization to operate case management services for the LEAD program. The Seattle LEAD program started with mostly private foundation grants, but now relies more on city and county appropriations, plus a small portion of state sales tax revenue earmarked for mental health and substance use services. North Carolina also recently committed to using a portion of alcohol tax revenues to fund programs to address homelessness. These programs can be tapped for diversion participants.

## State and Local Government Action Tips:

- » Identify champions and other stakeholders, such as concerned lawmakers, community leaders and law enforcement officials who can help identify state or local funding opportunities and develop a legislative proposal or local ordinance.
- » Identify past programs or other models to demonstrate results.
- » Develop a proposal and budget request or prepare grant application materials.
- » Establish and engage a coalition to build public support.
- » Work with consumer advocates and state/local health and law enforcement officials to educate lawmakers and secure funds.



## Health Institutions

Many different types of health institutions exist across states and communities. Some offer comprehensive, coordinated and low-cost care; others can be tapped for investments in community health initiatives that support broader social services to improve health outcomes.

**Federally Qualified Health Centers (FQHCs)** are outpatient health centers, including community health centers, migrant health centers and health care for the homeless centers, that receive federal funding. FQHCs provide health and non-health services to medically underserved communities. FQHCs provide care using sliding-fee discounts based on household income and family size, and no patients are denied care because of an inability to pay. Some communities also have other community health centers that serve similar populations, but don't have official FQHC designation.

Health Resources and Services Administration (HRSA) grants have [expanded the capacity of FQHCs](#) to provide substance use treatment services, including medication-assisted treatment for opioid use disorder. About 70 percent of HRSA-funded clinics provide mental health services and almost 40 percent provide substance use treatment and counseling. Many also provide robust care coordination services, and some serve as Medicaid Health Homes.

For participants in a pre-arrest diversion program, FQHCs may provide low-cost or no-cost comprehensive primary care as well as dental care, hospital and specialty care, and mental health and substance use services. For example, in Santa Fe, some diversion participants are connected to medical services at FQHCs or other community health centers.

### Health Centers Action Tips:

- » Find out about local FQHCs and other community health centers in target areas, who they are serving and the health care and supportive services provided.
- » Invite these centers to participate in a community advisory board or coalition to engage them in a diversion program's mission and continuum of care planning for participants.
- » Work with health center leadership to develop a partnership to accept referrals of participants in the pre-arrest diversion program.

**Hospitals** can be important allies in addressing some of the underlying issues that affect community health, and many have identified substance use as a priority area of need. Besides access to hospital care, hospitals often provide in-kind services to encourage healthy behaviors and address environmental and socioeconomic factors. Most public

and nonprofit hospital systems deliver safety-net services by seeing patients who wouldn't otherwise be able to afford care, for free or at a reduced cost. Hospitals might also participate in other initiatives like the DSRIP program to reduce hospital costs and re-invest cost-savings into community based diversion programs.

[Community benefit programs](#) are another way hospitals support and promote community health. Nonprofit hospitals – which generally don't pay federal, state or local taxes – are expected to provide programs and services that benefit their communities. In addition, the Affordable Care Act further requires nonprofit hospitals to conduct a Community Health Needs Assessment with community participation every three years and develop a plan to meet community needs.

Many hospitals have identified substance use as a priority area of need. Hospitals can be a partner in a network of safety-net providers to offer health care services and to fund supportive services such as housing. They may also invest community benefit resources or cost-savings into a diversion program.

For example, Santa Fe's LEAD program received financial support from the community benefits program at CHRISTUS St. Vincent Regional Medical Center, which was part of the planning team for LEAD. The money went to The Life Link, the community agency that is the service hub for LEAD Seattle, to pay for medication assisted treatment for participants. The hospital included LEAD in its [implementation plan](#) following a Community Health Needs Assessment. The hospital also provided data that helped support the need for the LEAD pre-arrest diversion program.

**Managed Care Organizations (MCOs)** in many states contract with Medicaid programs to provide health care coverage to enrollees. Services covered vary from state to state depending on the Medicaid plan, but many MCOs have flexibility to cover additional services that improve members' health. These can include mental health and substance use services and coordination services for participants in a pre-arrest diversion program.

For example, [Alliance Behavioral Healthcare](#) is an MCO for individuals with mental illness and substance use in North Carolina that is partnering with the North Carolina Harm

### Hospital Action Tips:

- » Identify public and nonprofit hospitals in target areas and [engage in community needs assessment](#) to influence the community plan and include a focus on serving participants in pre-arrest diversion programs.
- » Work with consumer health advocates to educate public officials and hospital leadership about diversion programs and how these can reduce health costs by reducing drug overdoses and hospitalization; invite hospitals to join a community advisory board or coalition.
- » Develop relationships with local hospitals to ensure they accept referrals of diversion participants for reduced or in-kind medical care.

## Financing and Sustainability Options for Pre-Arrest Diversion Programs

Reduction Coalition in the state's first [LEAD program in Fayetteville](#). In addition, the Alliance provides all participants in the LEAD program with crisis stabilization services, a range of substance use treatment and mental health services, short-term rental assistance, short-term emergency housing assistance and covers the cost of naloxone for other providers who will treat LEAD participants.

### MCOs Action Tips:

- » Educate managed care company leadership about pre-arrest diversion programs and how they can reduce health costs as a result of reducing drug overdoses and hospitalization, and also engage MCOs to pay for health care services for diversion participants.
- » Build support for MCOs' role in diversion programs by educating state officials who oversee MCOs as well as the largest providers funded by MCOs who may have clout with MCO officials.
- » Explore whether MCOs have affiliated charitable foundations that may provide support or help influence the MCO leadership.

**Accountable Care Organizations (ACOs)** are alliances of providers, usually primary, chronic care and specialty care providers and at least one hospital, offering coordinated services to reduce costs and increase quality for consumers in their network. [ACOs](#) provide targeted care for high risk, high need populations and share financial and medical responsibility for the health of patients. ACO's can be implemented as part of Medicare and state Medicaid programs.

ACOs can provide comprehensive coordinated services for primary care, mental health, and substance use treatment services for pre-arrest diversion participants. ACOs can also engage a network of community-based organizations for wraparound supportive services such as housing and transportation.

### ACOs Action Tips:

- » Find out about [Medicaid ACOs](#) or [Medicare ACOs](#) in target areas and who they are serving; engage ACOs to provide health care services to diversion participants.
- » Demonstrate a pre-arrest diversion program's savings to the health care system, as a result of decreased emergency room visits, for example, and seek to develop partnerships for reinvesting ACO savings to the program.
- » Work with health care providers and hospital administrators who can attest to the benefits of a diversion program on medical care usage and engage consumer health advocates and health policy experts to help cultivate support among ACO leaders.

For example, the Camden Coalition ACO in New Jersey reinvests savings back to the community for initiatives that support the mission of the ACO, including expanding the health care workforce and services. ACOs in New York and Washington are creating links to housing services.

### Private and Philanthropic Funding

National, state and local foundations may offer grants to help launch or pilot pre-arrest diversion programs. Also, local businesses may be willing to invest in pre-arrest diversion programs because of the positive impact such a program can make in their community and/or for their employees. Many large retail corporations also have charitable foundations or departments to support community-based initiatives.

[Philanthropic grants and donations from businesses](#) are most effectively used for start-up and operational costs for pre-arrest diversion programs, such as staffing for program leadership, case management and police liaison, as well as for research and evaluation. So far, several pre-arrest diversion programs have been launched with foundation grant support, including LEAD programs in Albany, NY, Santa Fe and Seattle.

In Santa Fe, community partners in their diversion program were required to help with fundraising in some way, by providing direct dollars or raising funds. For example, art galleries purchased furniture and donated it for LEAD participants' housing needs. A Santa Fe community foundation helped establish a "funding hub" as a mechanism to manage grants, city appropriations and other funding sources for the pre-arrest diversion program.

#### Philanthropy Action Tips:

- » Search online databases such as the [Foundation Center](#), [Grant Station](#) and [Foundation Search](#) to learn about foundation grants to support community-level social justice and health initiatives.
- » Consider inviting local businesses or business associations to join a community advisory board and engage these groups in the mission of program from the beginning. Also, research their charitable departments or foundations.
- » Ask community partners to participate in fundraising or provide in-kind support.

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## Additional Resource:

[Identifying Existing Health Resources for Participants in Diversion Programs: A Resource Guide for Stakeholders](#). Published by the Department of Health Policy and Management at the Milken Institute School of Public Health at The George Washington University. This comprehensive report outlines resources for covering health care and other support services for participants in diversion programs.

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