

Community Living Ontario Policy Snapshot

The Myth of Economies of Scale in Developmental Services

It is commonly believed that large congregated residential facilities for people who have developmental disabilities are less expensive to operate than group homes or supported independent living.

Yet information from the United States shows that, even for people with high support needs, large congregated facilities are in fact more costly than small group homes or supported independent living. Furthermore, smaller settings have been shown to support a higher quality of life among residents.

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The issue of cost, and of what housing model is least costly over the long run, is the source of long-running debate in the developmental services sector. There is a widely-held belief that 'economies of scale' exist in larger congregated settings. For example, in 2013 the [Housing Study Group](#) of the Developmental Services Sector/ MCSS Partnership Table touched on this with the following statement:

"In times of restraint, there are pressures to return to solutions that involved 'congregated' initiatives designed to serve larger numbers of individuals in single settings. While economies of scale might make such initiatives attractive, they would clearly run the risk of repeating mistakes of the past."

This quote rests on the assumption that larger congregated settings are less expensive to operate for a given number of people – an assumption that does not hold up to the evidence. Consider, for example, the following comparison of two U.S. states with very different developmental service approaches, using [information](#) from the Institute on Community Integration at the University of Minnesota:

- In 2015, the state of Arizona spent \$28 million to support a total of 131 people who have a developmental disability in "Intermediate Care Facilities" across the state (about \$210,000 per person). These are highly structured facilities that, in Arizona, exclusively serve people with very high physical and medical needs. In contrast, the state spent \$830 million to support 28,000 people in smaller group, family and supported independent living situations (about \$29,000 per person). In other words, 99.5% of people are supported in small settings, with an emphasis on living with family members.

Altogether, Arizona spent an average of \$29,900 per person supported by developmental services in 2015, with almost no recourse to large congregated facilities.

- In the same year, the state of Texas spent \$1.1 billion to support 8,200 people in Intermediate Care Facilities (\$134,000 per person). Unlike in Arizona, these include larger settings that house people with a broad range of service need levels. In contrast, Texas spent \$1.2 billion to support 35,000 people in smaller and more independent settings (\$36,000 per person).

Altogether, Texas spent \$55,000 for each person supported by developmental services in 2015 - \$25,100 per person more than Arizona. If Texas supported even half of the people housed in large facilities in smaller and more independent settings, the state government could save up to \$400 million every year.

In 2019, [Arizona was ranked 1st out of all U.S. jurisdictions](#) on its performance in supporting positive outcomes among people who have intellectual and developmental disabilities. Texas was ranked 49th – almost dead last.

This is not an isolated case. A [large U.S. study](#) from 2009 concluded that, “although community-based services may be more expensive for a small number of individuals, overall, closing an institution yields cost savings.”

There are a few things that likely help to account for this difference in costs:

- Many people living in larger facilities are over-supported, because the constant presence of staff works to create a highly structured and monitored culture;
- Large facilities isolate people from the broader community, which prevents residents from forming strong and ongoing non-paid relationships;
- People in more independent settings are more likely to develop non-paid relationships (also known as natural supports) and need less staff support;
- When living in the community, many people don’t want a lot of staff presence in their lives, and therefore schedule less paid support.

The grand majority of developmental service providers in Ontario have left large, medicalized housing facilities in the past. This data offers one more reason why they should stay there.

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Community Living Ontario is a non-profit organization that advocates alongside people who have an intellectual disability, their families and agencies that support them across the province.

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