Recovery Housing: Funding Sources and Financial Sustainability

Insights from NARR-Certified Recovery Residences

SAMHSA
Substance Abuse and Mental Health Services Administration

Webinar

March 11, 2026

Substance Abuse and Mental Health Services Administration

U.S. Department of Health and Human Services

Center for Financing Reform and Innovation

The **Center for Financing Reform and Innovation (CFRI)** is a SAMHSA contract that is committed to strengthening America's mental health and substance misuse service system by improving how the nation funds and delivers vital services.

CFRI offers a dynamic platform to tackle today's most urgent behavioral health issues head-on. Through clear analysis and strategic guidance, CFRI promotes the smart, efficient use of resources that strengthen prevention, early intervention, treatment, and recovery to build a healthier, stronger America.

Topics covered through CFRI include Integrating Substance Use Disorder Prevention with Physical Health Care, Youth Inpatient and Residential Treatment Psychiatric Beds, and many others.

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Webinar Overview

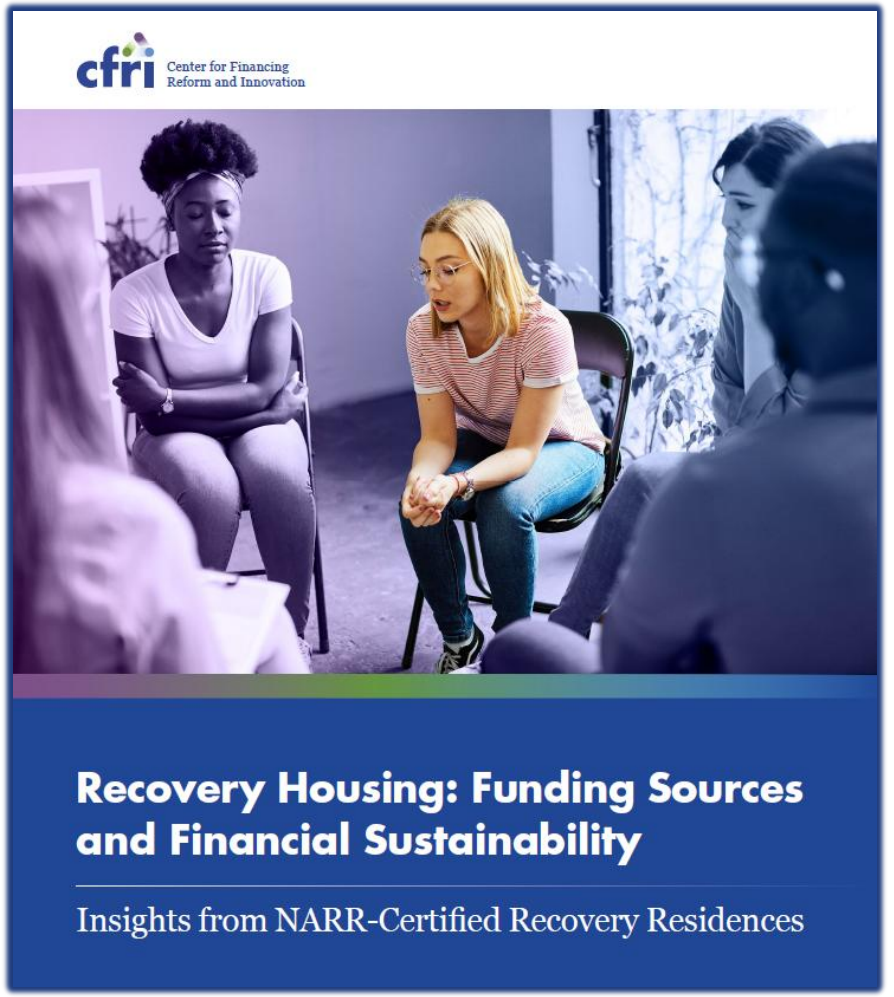
I. Opening Remarks

II. Report Findings

III. Panel Discussion

IV. Open Forum Q&A

V. Closing Remarks



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Recovery Housing

Recovery houses are **stable, sober-living environments** that help individuals maintain recovery from substance use disorders (SUD) by fostering community and mutually accountable bonds with peers in recovery.

Recovery houses vary widely in structure but are **centered on peer support** and connection to services that promote long-term recovery.

Types of Recovery Housing

The **National Alliance for Recovery Residences (NARR)** develops and maintains national standards for recovery housing safety, quality, and accountability. Houses are certified by NARR's state affiliates at four distinct levels.

1. **Democratically peer-run** houses with on-site support provided by other residents (e.g., Oxford Houses).
2. Houses have an **appointed resident leader** that helps manage the residence. Peer accountability and house rules maintain the safety and health of the residence.
3. Houses that offer **structured, peer-based programs** and life skills development trainings with supervised, trained staff who are often recovery residence graduates.
4. Houses that provide a combination of peer and professional staff in a licensed residential setting. **Clinical treatment services** are offered by credentialed, paid staff.

Benefits of Recovery Housing

- Improved family relationships
- Improved employment
- Improved quality of life
- High return on investment

- Decreased substance misuse
- Decreased involvement with the criminal justice system
- Reduced recurrence rates

Recovery Housing Report

Purpose:

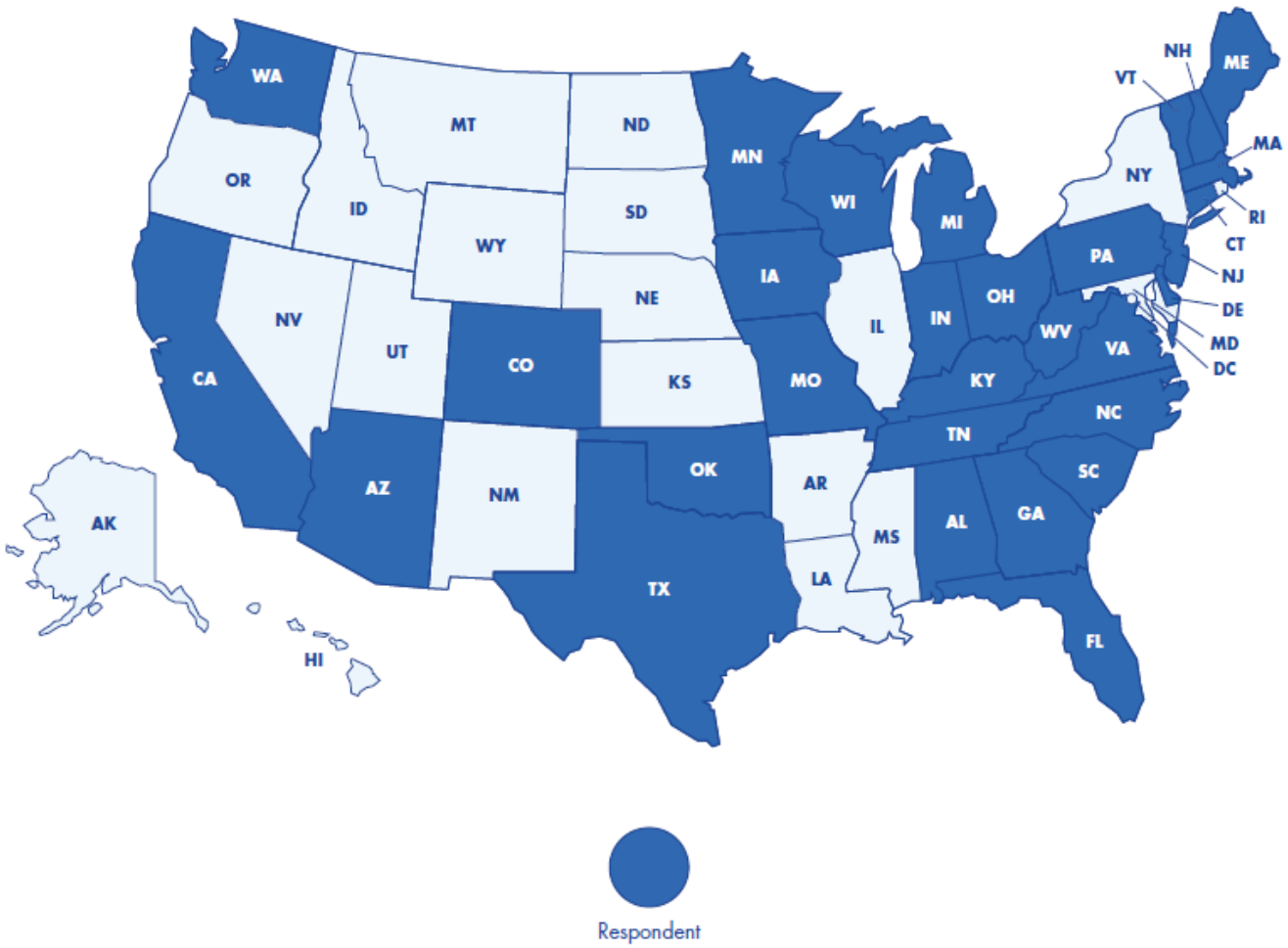
1. Examine funding models used by certified recovery residences within the NARR network
2. Analyze financing approaches to understand how these residences sustain their operations
3. Identify actionable strategies that can be implemented to support recovery housing
4. Recommend sustainable funding mechanisms to expand and maintain access to these essential services

Methodology:

From January—February 2025, a survey was disseminated by NARR to its 33 state affiliates.

State Affiliates

Figure 1. NARR State Affiliate Respondents (n=31)



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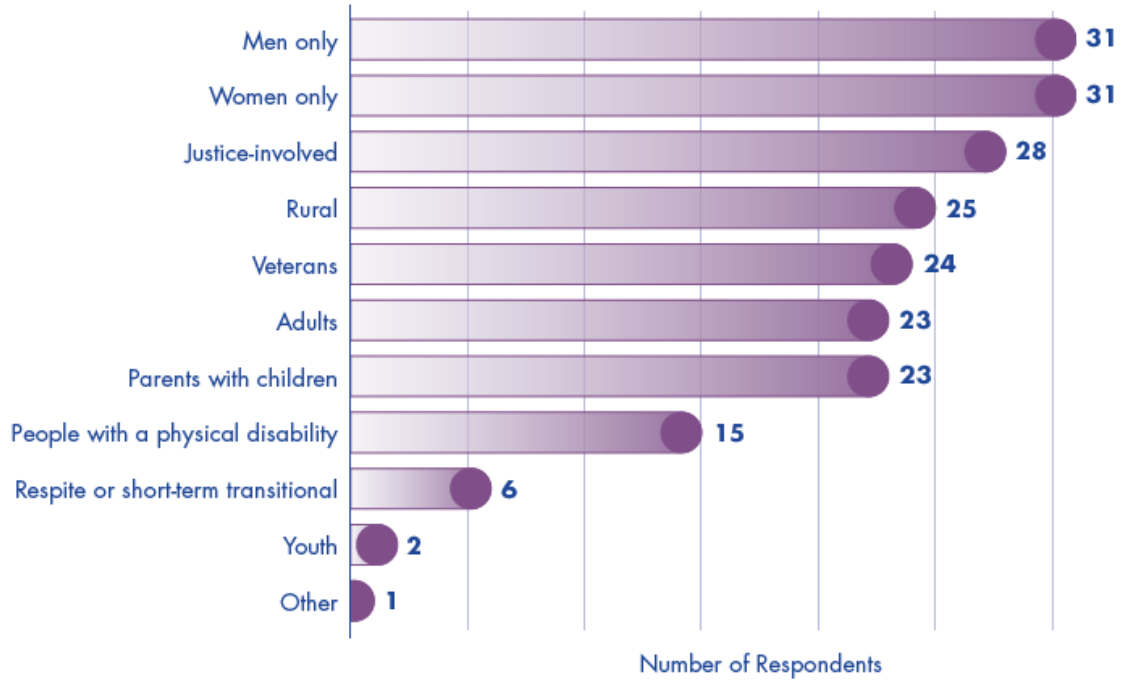
Populations Served

Recovery residences serve a **range of populations**, including veterans and justice-involved individuals.

Some populations require **different levels of accommodation**, which can be more costly. Recovery residences find it most difficult to finance accommodations for:

- Parents with children (24%)
- Rural community members (17%)
- People with physical disabilities (10%)

Figure 2. Populations Served by Recovery Houses (n=31)



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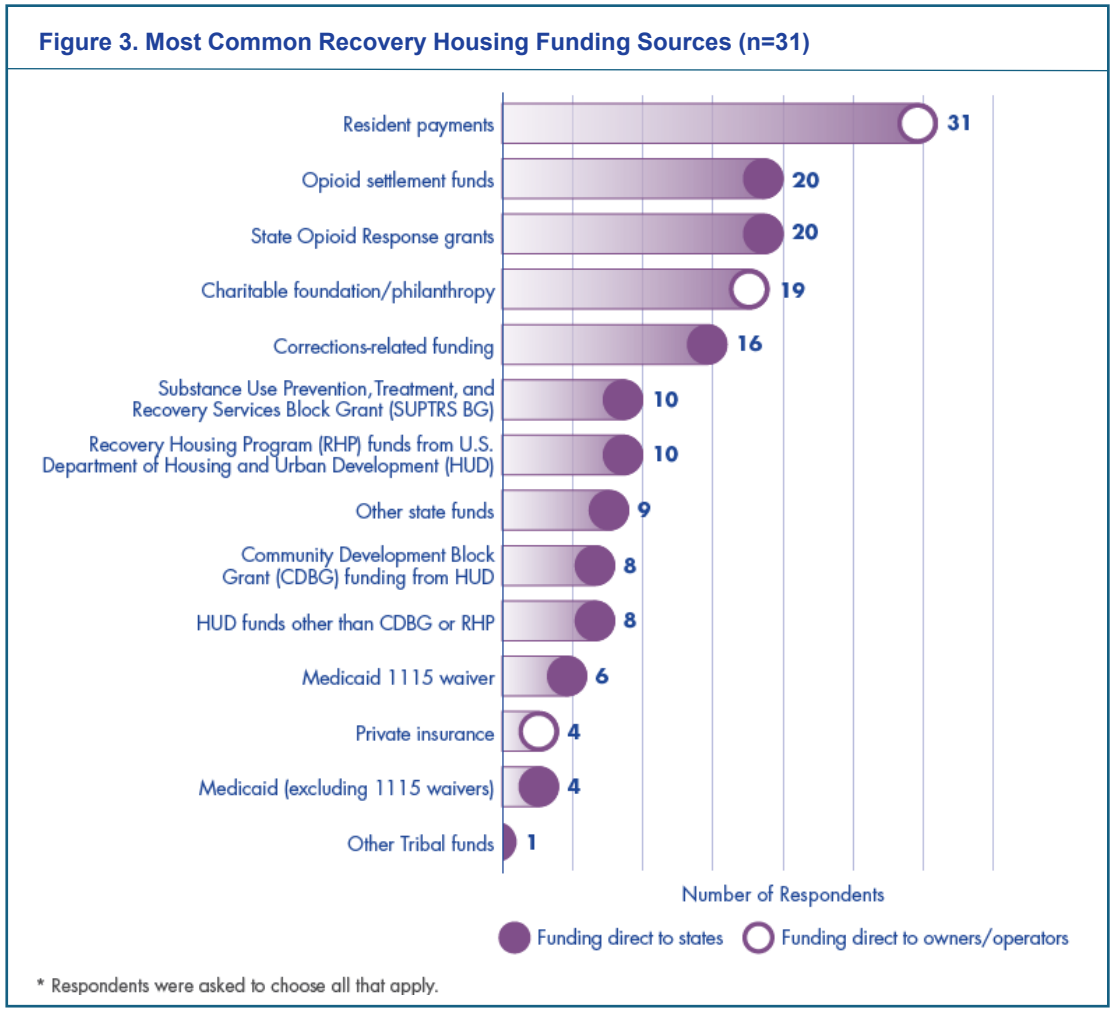
Funding Sources



The **top 3 largest funding sources reported** include:

1. Resident payments
2. State funds (e.g., General Revenue)
3. State Opioid Response (SOR) grants

87% of states report resident payments as their largest or second largest source of funding

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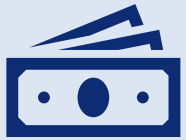
Top 3 Recovery Housing Funding Challenges

69% – Funding priority is given to other SUD services and treatment over recovery housing

59% – Lack of funding for capital expenses (i.e., leasing or purchasing property, special accommodations for residents, startup funds)

48% – Funding priority is given to other housing efforts (e.g., Housing First, Permanent Supportive Housing)

Implications



Recovery residences rely heavily on resident payments, presenting barriers to care for individuals with limited financial resources.

Rising housing costs and high capital expenses limit operators' ability to open new recovery houses, even in areas with demand for these services.

Not all states value recovery housing as part of the SUD care continuum or financially support recovery housing through state general revenue contributions.

Pathways to Sustainable Funding

Fund services through state general revenue contributions: States that recognize recovery housing as an important part of the care continuum and receive state funding report greater ease covering costs.

Explore cost sharing: Combining resident fees with other funding sources can reduce the financial burden on residents.

Involve community partners: Some states have partnered with local universities, hospitals, and corrections departments to support trainings, research grants, and resident voucher programs.

Increase awareness of the value of recovery housing: Recovery housing represents a relatively inexpensive support service associated with improved worker productivity, reduced criminal activity, and lower risk for continued substance misuse.

Pathways to Sustainable Funding (cont.)

Use Medicaid section 1115 demonstrations: Some states have leveraged the Medicaid 1115 demonstration authority through the behavioral health and other community-based Medicaid option, which allows states to receive Medicaid coverage for certain recovery support services.

Explore alternative payment models (APMs): APMs reward providers for quality and cost-effectiveness of care, rather than volume of services provided.

Maximize existing federal funding sources: The U.S. Departments of Housing and Urban Development (HUD), Veterans Affairs, and Justice offer federal sources of funding to states and individuals that meet certain eligibility criteria (e.g., HUD Recovery Housing Program).

Panel Discussion

Open Forum Q&A

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Thank You!

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