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## PRINCIPLES

- Ethical Conduct
- Stakeholder Focus
- Superior Stewardship
- Win-Win Partnerships
- Process Approach to Operations
- Systems Approach to Management
- Fact-based, Best-Value Approach to Decision-making
- Involvement of Staff
- Continuous Improvement

## GOALS

Continuous Improvement  
Through Focused Attention  
on:

- Mission
- Quality
- Customer Service

## DALLAS METROCARE SERVICES SECOND QUARTER REPORT—FY05

PREPARED FOR THE DALLAS COUNTY COMMISSIONERS COURT  
MARCH 22, 2005

“OUR MISSION IS TO PROVIDE QUALITY SERVICES, TREATMENT AND ASSISTANCE TO PEOPLE WHO LIVE WITH THE CHALLENGES OF MENTAL ILLNESS AND MENTAL RETARDATION”

## Second Quarter Highlights

- The Center showed a net loss (memo) of almost \$700,000 for the second straight quarter (a margin of -6%), or almost \$1.4 million FY05 year-to-date
- The loss primarily reflects a 10% reduction in rates paid for mental health services since Sept 1st:
  - Revenues are up 4% from last year
  - But it requires the expense of 35% more clinical staff to generate that revenue due to the lower rates, thus the loss
- In response, the Center reduced expenses by almost \$2 million annualized during second quarter, including the loss of 46 FTE's (6% of staff)
- The Center also continues negotiations with the managed care company about the rate structure
- Mental health consumers-served up 8% from same quarter last year (about 13000)
- Mental retardation consumers-served unchanged since September 2004 (about 1400)

Progressive improvements were made in January and February in the Center's adaptations to mental health programmatic changes implemented in September, so that for the Center broke even in February – the first month in this fiscal year that it has done so. The progress stems from aggressive measures to transition mental health service provision into group settings instead of the traditional individual setting, as group services are financially incentivized in the managed care company's September rate structure. The Center has increased its percentage of mental health services provided in groups from 10% in September to 30% in February.

Discussions with the managed care company on rate revisions, based upon a model that reduces cost of services through reduced service intensity, have been fruitful. But we remain very concerned about the impact that continued efforts to reduce the service costs in NorthSTAR will have upon the Center and/or its patients. Rate cuts in the past eighteen months total over 20% of the value of potential revenue. Proposed solutions reduce services significantly. It appears that in the triangle of providers, patients and MCO, it has thus far proven difficult to find win-win-win solutions.

Charles M Cooper, Chairman

James G Baker MD MBA, Chief Executive Officer