



Quarterly Report

Prepared for our Stakeholders in April 2011

Second Quarter, Fiscal Year 2011

Preparing for the impact of budget cuts

The Texas State Legislature began meeting during the second quarter of fiscal year 2011, and like most of the state, Metrocare has been preparing for even less funding in future years as a result of the deficit. The challenge is to serve as many people in need as possible within the resources we are given, balancing quality of care with quantity, ensuring that as few people go without necessary care as possible.

Two reports were released in March of 2011:

1. *The Impact of Proposed Budget Cuts to Community-Based Mental Health Services*
2. *The Impact of Proposed Budget Cuts to State Hospitals.*

The studies were commissioned by the Texas Conference of Urban Counties to analyze the effects of budget cuts to community-based mental health services and cuts to the state hospital system. These reports demonstrate that community-based mental health services are critical to the public safety net for people with serious mental illness.

The following are highlights of the key findings in both reports:

Increased jail costs

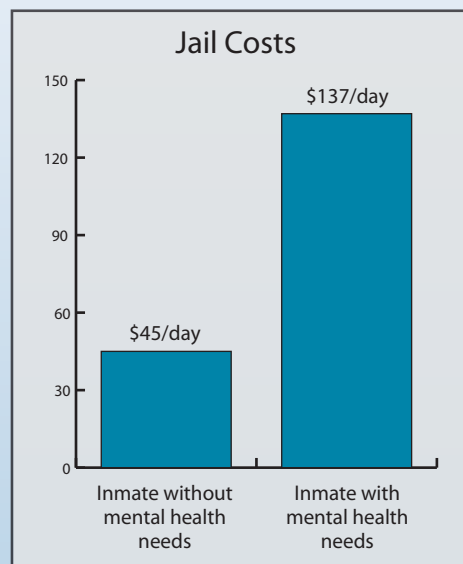
Incarcerating an inmate with mental illness costs taxpayers almost three times as much as an inmate without those issues – \$45 per day for a person without mental health needs vs. \$137 per day for inmates needing treatment.

Increased hospital emergency room costs

Untreated mental illness often ends in a crisis situation and ultimately in a local hospital emergency room. Expenses for treating non elderly uninsured people average \$986 per visit. Without community-based mental health services, hospitals become another part of the revolving door of expensive crisis treatment.

Increased demand for state hospital beds

Since state hospitals operate near capacity, they can do little to absorb the impact of cuts



to community-based mental health services. People with serious mental illness get 'pushed back' into local systems (Jails, emergency rooms) because of limited access to inpatient psychiatric care.

Metrocare is committed to maintaining quality care and providing treatment to as many people as possible.

Center performance

Conservative budgeting in anticipation of funding reductions allowed the Center to end the 2nd quarter of FY11 with an overall increase in net assets.

The Center's financial performance also exceeded plan for the fiscal year through the end of the second quarter. At the end of the second quarter, the Center still anticipated State agency implementation of reductions in funding for the second half of the year, as the

state Legislature struggled to deal with a deficit in its budget for FY11.

Performance in excess of the budget for the year's first half is one strategy intended to help the Center's adjustment to proposed second-half reductions.

The Center also intends to continue to pursue revenue diversification as another strategy for adapting to the proposed budget

reductions. The Center showed progress to this strategy, with an increase of 20% in non-NorthSTAR mental health consumers-served compared to the same quarter last year.

Developmental disability consumers-served by the Center's provider units was up by 3% over last year. Altogether, the Center served 31,500 unique consumers in the second quarter.

Our mission

To serve our neighbors with developmental or mental health challenges by helping them find lives that are meaningful and satisfying

Julie Noble, Board Chair • James G Baker MD MBA, Chief Executive Officer

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