

## MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE WINNIE-STOWELL HOSPITAL DISTRICT

The meeting of the Board of Directors of the Winnie-Stowell Hospital District (“District”) was noticed and filed pursuant to the Texas Open Meetings Act a full 72 hours prior to the opening of said meeting for 6:00 p.m. on the 29th day of June 2016, at the Winnie Community Hospital (“Hospital”)-Conference Room, Broadway, Winnie Texas (a copy of said Notice being placed amongst the files of the District).

The roll was called of the members of the Board, to wit:

Elroy Henry, Chair  
Jeff Rollo, Vice-Chair  
Ed Murrell, Secretary  
Sharon Burgess, Director  
Raul Espinosa, Director

All said Board members were present with the exception of Director Burgess. In addition, to the above named Board members, also present at the meeting were: Sherrie Norris, District Administrator; Yani Jiminez, Indigent Care Director; Hubert Oxford, IV, General Counsel; Scott Campbell, East Chambers Independent School District; Deputy Tony King, Chambers County Sherriff’s Office; and citizens listed on **Exhibit “A”**.

At approximately 6:04 p.m., a quorum was established and Chairman Henry made introductions that were followed by a brief moment of silence, the Pledge of Allegiance, and then a request for public comment. There being no public comment, Chairman Henry asked the Board to address Agenda Item No. 3, to consider and take action on reviewing and approving the minutes from the following meeting:

- May 18, 2016 Regular Meeting

After a review of the minutes, Director Murrell made a motion to approve the minutes for the May 18 2016 Regular Meeting subject to amending the Regular Minutes to take out the

duplicative reference to Chairman Henry on the first page. This motion was seconded by Director Rollo, with the unanimous consent of all Board members present.

Before addressing Agenda Item No. 4, Chairman Henry called on the Committee Chairman to provide reports, if any.

The reports by each Committee Chair are as follows:

- **Finance Committee:** Chairman Murrell advised the committee had no report.
- **Indigent Healthcare Committee:** Vice President Rollo advised the Indigent Healthcare Committee had nothing to report.
- **Personnel Committee:** Vice President Rollo informed the Board his committee recommendation would be made during the discussion of Agenda Item No. 8.
- **Hospital Liaison:** Chairman Henry and Director Espinosa reported that the hospital installed the pump to reduce flooding in the hospital with funds provided by the District. According to Director Espinosa, the pump was tested by some heavy rains and has temporarily resolved the hospital's flooding problems. In addition, Director Espinosa asked Hospital staff attending the meeting whether the generator for the Hospital was operational. Hospital staff at the meeting agreed to confirm the generator was operational and would report back at the next regular meeting.

Following the Committee reports, the Board was asked to return to Agenda Item No. 4, to review and approve financials report; payment of invoices, and amend budget, if necessary. According to Mrs. Norris, the District had a net cash position of \$2,879,468.72 in its operation's account before it paid \$7,404.35 in expenses. Included in this net cash position were: 1) \$1,971,092.63 in the District's Operating Account; 2) \$151,580.75 in the Interbank Account; 3) \$104,089.64 in a Prosperity CD; and 4) \$652,705.70 in its TexStar Account. In addition, Mrs. Norris reported to the Board that during the past month, the District paid: 1) \$151,480.75 in interest; 2) \$276,381.60 to the LTC for invoice 1071-November 2015; 3) \$1,623,340.10 totaling \$1,498,439.25 in other expenses. Following the payment of these invoices and expenses, Mrs. Norris advised the District would have an ending balance of \$2,872,064.37 in its Operating

Account. (See **Exhibit “B”**). Lastly, Mrs. Norris explained that in the upcoming period between the May meeting and the June meeting, the District would be called on to set aside Loan 6 Principle that is due on August 11, 2016; make an interest payment for Loans 7, 8, and totaling \$151,480.75 and \$760,269.23 to Genesis for their incentive payments. Thereafter, Director Murrell made a motion to approve the payment of bills and the financial statements presented by Mrs. Norris. (See **Exhibit “B”**). This motion was seconded by Director Rollo, with the unanimous consent of all Board members present.

Following the financial reports, Chairman Henry requested the Board to move to Agenda Item No. 7, to discuss and take action, if necessary, on report given by the East Chambers Independent School District concerning the School District’s healthcare funding. In so doing, Chairman Henry called Scott Campbell, the Superintendent for East Chambers Independent School District (“School District”) to give an update on the District’s funding for various school district health initiatives, particular the Accident Assistance Program funded by the District through an Interlocal Agreement with the School District. Before his presentation, Mr. Campbell handed out a number of documents to illustrate the cost of the program; claims paid; and future costs. (See **Exhibit “C”**). After an extensive discussion of the program, the Board made a number of inquiries and requested the School District to provide quarterly reports on the status of the programs funded and the allocation of funds. Mr. Campbell agreed to provide the reports but also reminded the Board that the funds received by the District and the expenses incurred by the School District as a result of the funding could be monitored online by viewing the School District’s year to date budget at: <http://www.eastchambers.net/docs/district/pdfs2015-2016/adopted%20budget%2015-16.pdf>. Otherwise, no action was taken on this agenda item.

Next, Chairman Henry called on staff to address Agenda Item No. 6, to discuss and take action on reports by staff. Ms. Norris had nothing report except to remind the Board of the upcoming conference in San Antonio, Texas at the end of the month. Afterwards, the District's Indigent Care Director presented the Board with monthly indigent care reports. These reports are attached as **Exhibit "D"**. In summary, the District's indigent care cost that would have been incurred without an indigent care agreement with the Winnie Community Hospital during the month of May 2016 for forty-three (43) clients, up from thirty-nine (39) was \$11,541.71.95. Of the \$11,541.71, \$4,186.58, or 36.27%, was actually paid to cover prescription costs. The Board also noted that the hospital reported \$3,894.5945 or 33.74% of the costs or 52% of the cost associated with the Hospital was for Emergency Room expenses while the clinic only made up 7.5% of the total cost or 11.5% of the Hospital costs.

At the completion of Indigent Care Report, David Sticker, the District's CPA was asked to give an accounting report. According to Mr. Sticker, he and Sherrie Norris, the District's Administrator, have made great strides in converting the District's finances into Quickbook so that the District would be able to perform more of their day to day financial transactions in house while at the same time, the District and the CPA would have a better means to exchange information so that the CPA could reconcile and proof the monthly financials. At this point, David informed the Board that the District was processing all of its own payroll checks, paying its taxes, and most importantly, all the District's account are reconciled and by the next meeting, it was his goal to have reports produced on Quickbooks for the Board to review.

Lastly, Attorney Oxford was asked to give his report. First, attorney Oxford gave the Board the recent developments with the Quality Improvement Payment Program ("QIPP") and the extension of Minimum Payment Amount Program ("MPAP").

In regard to the extension of MPAP, according to Attorney Oxford, during the week of June 19<sup>th</sup>, 2016, it was announced through the Texas Health and Human Services Commission (“HHSC”) that the federal government will most likely not grant the extension and the program will likely end on August 31, 2016. As discussed earlier in the year, Attorney Oxford reminded the Board that the (“HHSC”) announced on March 11, 2016 that implementation of the proposed Quality Incentive Payment Program (“QIPP”) for nursing facilities would be delayed for a minimum of six (6) months. Therefore, we were told that those nursing facilities previously enrolled in MPAP would be permitted to continue their participation in MPAP for an additional six (6) months through February 28, 2017.

However, HHSC received a letter in April 2016 from Centers for Medicaid Services (“CMS”) stating that the MPAP funding arrangement violated federal regulations. Therefore, CMS would not approve future contracts containing the current MPAP arrangement. In response to the CMS letter, HHSC requested a twelve month extension of MPAP until August 31, 2017 to give HHSC would have sufficient time to transition to QIPP.

Unfortunately, HHSC informed stakeholders in June 2016 that CMS verbally notified HHSC that the extension of MPAP would likely not be granted by CMS. HHSC is awaiting a written letter from CMS confirming this position. If the twelve month extension is not granted, MPAP supplemental payments will end as of August 31, 2016. Despite this, MPAP supplemental payments will continue to be received by facilities through February 2017 due to the delay in payments under MPAP.

Attorney Oxford then briefly explained that if there is a seven month delay between the MPAP program and the QIPP program, because of the lack of the MPAP extension, how this delay could impact the District. In particular, how to move forward with LTC group’s assistance

and at what costs? Also, what are the transactional costs going to be associated with this period such as legal fees; staff time; and bank fees?

Meanwhile, Attorney Oxford explained that QIPP will likely begin September 1, 2017, six to seven months after the final MPAP payment. Although nothing has been finalized, it appears that the new QIPP program will look significantly different from the program outlined in the original QIPP concept paper in 2015.

Specifically, QIPP would be open to all public and private nursing facilities who meet the eligibility standards. Or put otherwise, whether or not a district made an IGT on behalf of their nursing homes, any nursing home in the State of Texas would be eligible to receive a portion of the QIPP funds. As a result, it is anticipated that the payments under QIPP will be significantly less than the payments under MPAP because the MPAP payments will be split amongst nursing homes that did not even make an IGT. Although HHSC plans for QIPP to be funded by nursing facilities operated by non-state governmental organizations, there is significant concern as to whether opening QIPP to all facilities at the same supplemental payment levels will (i) incentivize private facilities to partner with NSGOs (which is necessary to fund the program); and/or (ii) incentive the Non State Governmental Organization (i.e., Districts) to participate (and fund) the program.

Secondly, in regard to QIPP, currently, as proposed by the State of Texas, the District would only be eligible to receive its initial IGT payment as well as MPAP payments if the facility achieved of pre-determined metrics. Attorney Oxford explained that if receipt of the District's IGT funds are contingent upon the achievement of a pre-determined metrics, no matter how slight or easily accomplished, the District could not participate in QIPP because this would

be a violation of Article 3, Section 52 of the State of Texas by pledging the credit and collateral of the State.

In addition to the matters involving the MPAP and QIPP programs, Attorney Oxford reported that he reached out at the request of the Indigent Care Committee to the Chambers County Hospital District No. 1 (“ChambersHealth”) to begin discussions on whether ChambersHealth was willing to enter into a contract to treat the District’s indigent for healthcare services not available at the Winnie Community Hospital. According to Attorney Oxford, he had a lengthy conversation with Steve Gularte, CEO of ChambersHealth and ChambersHealth was interested in partnering with the District to provide these services. In addition, Mr. Gularte submitted a draft contract to Attorney Oxford but Attorney Oxford was in the process of reviewing the agreement.

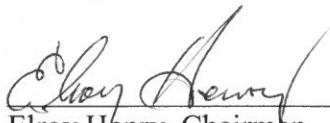
After the staff reports, Chairman Henry asked the Board to consider Agenda Item No. 8, 8, to discuss and take action, if necessary, on recommendations by the Personnel Committee regarding the indigent care coordinator’s position. In so doing, Chairman Henry asked Vice President Rollo to this agenda item. Per Vice President Rollo, the Personnel Committee met with Yani Jiminez to give her a ninety (90) day review. Following the meeting, it was the Committee’s recommendation that Mrs. Jiminez be paid \$15.00 per hour on a full time forty-hour basis as an exempt employee with compensatory time to be paid retroactively to her ninety-first (91) day of employment. After some consideration and questions concerning the recommendation, Director Edward Murrell made a motion to adopt the Committee’s recommendation to make Mrs. Jiminez a full time exempt employee making a salary of \$2,400.00 per month retroactive to her ninety-first (91) day of employment entitled to

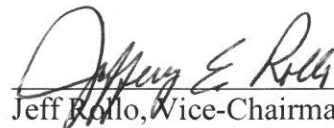
compensatory time. This motion was seconded by Director Espinosa with the unanimous consent of all Board members present.

Finally, moving to Agenda Items Nos. 9 and 10, to discuss and take action, if necessary, on receiving the FQHC & Associates feasibility report and to discuss and take action, if necessary, on amending the District's Indigent Care Policy, Chairman Henry advised the Board that there was no action to be taken on these Agenda Items because the FQHC report was not completed and Attorney Oxford has not had a chance to make the potential changes to the Indigent Care policy.

Therefore, upon the conclusion of all the action items, Chairman Henry announced that the Board would meet again on July 25, 2016, not July 20, 2016, for its next regularly scheduled meeting. At 8:28 p.m., a motion was then made by Director Murrell to adjourn the meeting.

This motion was seconded by Director Espinosa, with the unanimous consent of all Board members.

  
Elroy Henry, Chairman

  
Jeff Rollo, Vice-Chairman