

MINUTES OF THE PUBLIC HEARING AND 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 ten days prior to the meeting in the Hometown Press pursuant to Section 286.125 of the Texas Health & Safety Code and Chapter 551 of the Texas Government Code seventy-two (72) hours prior to the opening of said meeting for 6:00 p.m. on the 24th day of May 2017, 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:

Ed Murrell, President
Jeff Rollo, Vice-President
Raul Espinosa, Secretary
Sharon Burgess, Director
Anthony Stramecki, Director

All said Board members were present. In addition, to the above named Board members, also present at the meeting were:; Sherrie Norris, District Administrator; Hubert Oxford, IV, General Counsel; Saad Javed, Riceland Hospital Chief Financial Officer; Wade Thibodeaux, the Hometown Press; and Gloria Roemer, Seabreeze Beacon.

At 6:00 p.m., President Murrell called the Regular Meeting of the Board of Directors of Winnie Stowell Hospital District to order. After a quorum was established, since there was no public comment, President Murrell asked the Board to consider and take action on Agenda Item No. 3, to review and approve the minutes of the April 19, 2017 Regular Meeting and the May 2, 2017 Special Meeting. The Board reviewed the minutes and then Director Espinosa made a motion to approve the April 19, 2017 Regular Meeting minutes and the minutes for the May 2,

2017 Special Meeting. This motion was seconded by Director Rollo with the unanimous consent of the entire Board.

After the approval of the minutes, the Board was asked to move past Agenda Item No. 4, to review and approve financials report; payment of invoices, and amend budget, if necessary and to consider the various Committee Reports, called for in Agenda No. 5. In response to requests for reports, Chairwomen Burgess called on Attorney Oxford to inform the Board of the status of an agreement with the Winnie Stowell EMS (WSEMS) to provide treatment to the District's residents. Attorney Oxford reported that he had a conversation with Ron Nichols, the new manager of the WSEMS, about working with the District to coordinate payments to the WSEMS for services provided to the District's indigent. As such, Attorney Oxford reported that the two exchanged e-mails and Attorney Oxford provided Mr. Nichols with a Business Associate Agreement ("BAA") to share HIPPA related information so that the WSEMS could be provided with a list of current and past District indigent clients. (*See Exhibit "A"*). With this said, Attorney Oxford explained to the Board that in the event that a District indigent did receive an invoice from the WSEMS, he was advised that it was the practice of the WSEMS to submit two (2) invoices to the patient but if the patient did not pay, the WSEMS writes off the charges in lieu of the receipt of funds from Chambers County. In response, Chairman Burgess expressed concern about making sure the WSEMS did not receive payment from the District and from the County. Attorney Oxford stated that he would get with Mr. Nichols to get the answer to the concern.

There be no further reports, President Murrell called on staff to present staff reports pursuant to Agenda Item No. 6. Staff reports were as follows:

- a. **District Administrator:** Administrator Norris reminded the Board that the annual Texas Healthcare Trustees Healthcare Governance Conference was coming up in July and she has booked hotel rooms and paid for the conference.
- b. **District Indigent Care Director:** Next, the District's Attorney, Hubert Oxford, reported in the Indigent Care Director's absence that in April 2017, the District was providing healthcare to sixty (60) clients. Additionally, Attorney Oxford informed the Board that in April 2017, the District spent \$8,095.04 on indigent pharmaceutical costs and incurred \$25,191.00 in fees and services from Winnie Community Hospital. If the District did not have an indigent care agreement, the costs to the District for these fees incurred, assuming it paid Medicaid rates, would be \$10,328.31. (See **Exhibit "B"**).
- c. **District General Counsel:** Attorney Oxford advised he had had a number of issues to discuss but referred to a previously submitted report he had prepared and distributed to the Board. This report can be found in **Exhibit "C"**. In summary, Attorney Oxford reviewed the status QIPP program and spent time explaining that the State of Texas through the Texas Commission on Health and Human Services ("TCHHS") had a different interpretation and implementation of distribution of Component 1 funds than the District was originally told. Rather than making an IGT and receiving 100% of the IGTs plus an additional 10% of the IGT funds, the District was being asked to make an IGT of 110% of the IGT and the majority (i.e., 90%) of the funds would be paid back in the first six monthly payments beginning in October 2017 but the remaining 10% would be paid back monthly for two (2) years. In addition, he reported that the District would receive

an additional 10% for the IGT in two installments paid with the first being in September 2018 and the second in May of 2019. Otherwise, Attorney Oxford reported on the MPAP settlement with the State as well as the potential for MPAP 3 and its relationship to the settlement agreement with the State. *See Exhibit "C"*. Lastly, Attorney Oxford informed the Board that he had been working with Charles Luband with the Denton Firm on a final draft of the attorney report but Attorney Oxford requested the firm provide a more complete legal analysis on the issue of recycling government funds.

- d. **LTC Report:** LTC submitted their report for March 2017 and the report can be found in **Exhibit "D"**.
- e. **Hospital Report:** Lastly, President Murrell called on Mo Danishmund to give the Hospital report. Mr. Danishmund deferred on giving a report since the Emergency Room was going to be discussed later in the meeting. However, the Board did discuss their desire to receive a report of the bed nights and any other useful information the Hospital was willing to share so that the Board would have some insight on the Hospital's financial status. Mr. Danishmund agreed to provide the information but requested that this be done in executive session, if possible.

Following the staff reports, President Murrell asked the Board to address Agenda Item No. 7, to discuss and take action, if necessary, on approving architect recommendations to begin the process of designing the Emergency Room for the Winnie-Stowell Hospital. This agenda item was briefly discussed because President Murrell and Mr. Danishmund informed the Board that they were waiting on additional information from the proposed architects to make a recommendation on which architect to use for the project. Thus, a motion was made by Director Rollo to table this agenda item until the next Regular Meeting or Special Meeting if called for

other purposes. This motion was seconded by Director Burgess with the unanimous consent of all Board members.

President Murrell then asked the Board to consider Agenda Item No. 8, to discuss and take action, if necessary, on establishing procedures and criteria for providing financial assistance to Healthcare Providers that serve the District's indigent and consider awarding any such assistance as may be requested. President Murrell introduced the agenda item and then Director Stramecki suggested that the District adopt a policy to provide the Healthcare Providers (i.e., doctors, nurses, nurse practitioners, emergency medical services technicians etc.) inside the District with the opportunity to receive financial assistance for student loans if the Provider gives healthcare services to the District's indigent. By offering this opportunity, the District's public purpose would be to make better healthcare services available to all the residents of the District. Furthermore, Director Stramecki suggested that if a Provider is employed for the Winnie Community Hospital, the Provider shall make a request to the District and the Hospital but the District would defer to the Hospital to make a recommendation in favor or against the request. The criteria to be used by the Hospital in considering such requests shall be as follows:

- (1) The employee's length of employment with the Hospital;
- (2) Hospital Management's evaluation of the employee;
- (3) The employee's actions to benefit the community;
- (4) The employee's need for assistance;
- (5) The Hospital District's availability of funds;
- (6) Other deserving applicants; and
- (7) The Hospital recommends that the payments be made on an installment basis.

Meanwhile, if a Healthcare Providers did not work for the Hospital but also served the District's indigent, this Provider shall make a request directly to the District. The District shall then take into consideration the relevant factors set forth above and discuss with the requesters employer, if any. In addition, the Board discussed the need that any approvals of loan repayment

would be subject to taxes and the payments would be made monthly upon receipt of a current loan invoice from the lending institution. Furthermore, the Board agreed that these payments would be at the discretion of the Board but they would not be awarded if the Healthcare Provider was no longer served the District's indigent.

At the conclusion of this extensive discussion, a motion made by Director Burgess that to increase the quality of healthcare providers within the District, the District Budget needed to be amended to fund Line Item 561 of the District's Budget with \$20,000.00 to be used for student loan payments to Healthcare Providers inside the District that supply healthcare services to the District's indigent subject to the following conditions:

- Agreements to make payments for student loans to Healthcare Providers is within the discretion of the District's Board and can be terminated at any time for any reason;
- In the event that a requesting Provider is an employee of the Winnie Community Hospital, the provider receive a recommendation from the Hospital for any such assistance based on the criteria set forth above;
- If the Healthcare Provider is not an employee of the Winnie Community Hospital, the District shall consider any such requests by taking into consideration the relevant factors set forth above and discussing the request with the applicant's employer, if any;
- Payment of student loans are to be made: 1) on a monthly basis; 2) subject to the receipt of a current invoice from the lending institution; and 3) only if the recipient is providing Healthcare Services to the District's Indigent

This motion was seconded by Director Rollo and passed with the unanimous consent of all Board members.

After the discussion on payments of student loans to Healthcare Providers, the Board was asked to consider and take action on Agenda Item No. 9, to discuss and take action, if necessary, on approving the credit card policy and procedures statement. Per Administrator Norris, this Agenda Item needed to be removed from the Agenda as it was addressed during the Special Meeting held on May 2, 2017. Therefore, no action was taken on this matter.

Turning to Agenda Item No. 10, the Board was asked to discuss and take action, if necessary, on approving resolution authorizing the District to proceed with approving and executing HUD Loan documents for 1) Marshall Manor Healthcare LLC; 2) Spring Branch SNF LLC; 3) Garrison Healthcare LP, and 4) Golden Villa Healthcare LLC. to discuss and take action, if necessary, on authorizing signatories on the Post Oak Bank accounts. Attorney Oxford presented the Board with a resolution recognizing and approving of the HUD Loan transactions for these four (4) facilities and authorizing the Board President to execute the requisite loan documents. (See **Exhibit “E”**). Attorney Oxford then explained that the loan documents used by Caring Healthcare for these four (4) facilities were duplicated from the loan documents approved by HUD in the Genesis transactions and that the documents had already been reviewed and sent back to Caring Healthcare’s lawyer to be submitted for HUD review. A motion was then made by Director Rollo to approve the motion set forth in **Exhibit “E”** to enable President Murrell to execute HUD Loan documents for 1) Marshall Manor Healthcare LLC; 2) Spring Branch SNF LLC; 3) Garrison Healthcare LP, and 4) Golden Villa Healthcare LLC. This motion was seconded by Director Espinosa with the unanimous consent of all Board members.

Afterwards, the Board was asked to table Agenda Item No. 11, to discuss and take action, if necessary on approving the District’s audit for 2014 and 2015 because the audit was not complete but was expected to be completed in the next week. Prior to a motion to table this matter, Attorney Oxford confirmed that the Board members could be available for a Special meeting on June 1st, 2017 to receive the audit report. A majority of the Board confirmed and then a motion was then made by Director Burgess to table Agenda Item No, 11 the June 1st, 2017 Special Meeting.

Next, President Murrell asked to board to consider, discuss, and take action if necessary, Agenda Item No. 12, to give staff the authority close existing depository accounts at Wells Fargo except for the Clairmont Beaumont and the Woodlands and to open any necessary accounts at Post Oak Bank for Caring and Genesis facilities and QIPP funds. Per Attorney Oxford, the request is that staff be given authority to close existing depository accounts at Wells Fargo, except for the accounts associated with the Clairmont Beaumont and the Woodlands nursing facilities, and then be allowed to open any necessary accounts at Post Oak Bank for it nursing home operations, including but not limited accounts for the remaining eleven (11) Caring Healthcare and Genesis facilities and savings account or CD for future loan collateral. Additionally, Attorney Oxford informed the Board the reasons for this transfer have been explained to the Managers. As of the meeting, Caring Healthcare has given consent to the transfers but Attorney Oxford reported that he was still waiting on the final approval by Genesis. At the completion of this explanation, a motion was made by Director Rollo to give staff authority to close all but the Clairmont and Woodlands Nursing Home accounts at Wells Fargo and to open a government receivables and commercial account at Post Oak Bank for the remaining eleven (11) nursing facilities owned by the District whose accounts were once at Wells Fargo and to open a savings account or buy a CD at Post Oak Bank. This motion was seconded by Director Espinosa and passed with the unanimous consent of all Board members present.

At 7:08 p.m., the Board took a ten minute break and then returned to order by addressing Agenda Item No. 4, to review and approve financials report; payment of invoices; receive Accountants report, and amend budget, if necessary. Mrs. Norris and the District's CPA, David Sticker, provided the Board with a number of documents including 1) Cash Position Report; 2)

year to date Profit Loss Statement; 3) Profit and Loss Budget Performance; 4) Check Register; and 5) a list of Open Invoices, along with the invoices attached, to be approved by the Board; (See **Exhibit “F-1”**). Per Administrator Norris, as of the meeting, the District had a total \$2,769,039.02 in its various bank accounts, including \$2,008,654.51 in its Prosperity Bank account. As for the monthly Profit & Loss statement for the year, the District had revenues of \$49,914.07 in the month of April 2017 and expenses of \$127,772.44.

After a review of the bills and the District’s accounts, Attorney Oxford presented Budget Amendment 1. According to Mr. Oxford, he had worked extensively with the District’s CPA on the amendment prior to the meeting but Mr. Sticker’s wife had a minor surgery on the day of the meeting and he could not attend. With this said, Attorney Oxford gave the Board a copy of the proposed Budget Amendment 1. (See **Exhibit “F-2”**). As such, Attorney Oxford reminded the Board that when the budget was initially adopted in December 2016, the Board did not budget for any supplemental fund income or expenses because there were too many unknowns. However, with the recent release of intergovernmental transfer (“IGT”) and payment amount for the Quality Incentive Payment Program (“QIPP”) by the Texas Commission on Health and Human Services, the Board was in a better position to amend the budget plus, they needed to amend the budget in order to address Agenda Item No. 14, to fund the IGT for QIPP 1 (September 2017 through February 2018). In considering the budget amendments, Attorney Oxford advised the Board that the revenue and expenses for each program were calculated on the accrued basis so that only the revenue and expenses for 2017 are included in the proposed budget figures. Additional, he stated following assumptions were made in preparing Budget Amendment 1:

- The District’s nursing homes would achieve at least a 66% achievement rate in the QIPP Program;

- MPAP 3 would be initiated and completed by the end of December 2016;
- The District would be able to secure loans for MPAP 3 from Post Oak Bank;

In regard to the revenue/income changes that needed to be made, Attorney Oxford recommended the District increase revenue the income by \$19,320,647.26 to a total of \$19,898,447.26. On the expense side, the changes needed were as follows:

	Budget	Amendment No. 1	Revised Budget Post Amendment No. 1
522 Professional Fees - Audit	\$15,000.00	\$10,000.00	\$25,000.00
561 Admin-Cont Ed-Med Personnel	\$0.00	\$20,000.00	\$20,000.00
569 Admin-Meals	\$500.00	\$2,000.00	\$2,500.00
572 Admin-Web-Site	\$500.00	\$1,000.00	\$1,500.00
605 IC-Office Supplies/Postage	\$100.00	\$1,000.00	\$1,100.00
630 NH Program - Mgt Fees	\$0.00	\$5,429,188.75	\$5,429,188.75
631 NH Program IGT	\$0.00	\$9,386,034.13	\$9,386,034.13
633 NH Program-Acctg Fees	\$0.00	\$25,000.00	\$25,000.00
634 NH Program-Legal Fees	\$0.00	\$100,000.00	\$100,000.00
635 NH Program-LTC Fees	\$0.00	\$1,490,360.00	\$1,490,360.00
636 NH Program - Bonds	\$0.00	\$450.00	\$450.00
637 NH Program-Interest Expense	\$50,000.00	\$459,017.16	\$509,017.16
653 Service Fee	\$0.00	\$100.00	\$100.00

The amount of additional expenses totaled \$16,924,150.04 but the vast majority of the additional expenses resulted from the District’s participation in the MPAP 3 and QIPP programs. After taking into account the additional income and the amendments for expenses, the net revenue, if the Board adopts District in Budget Amendment 1, was \$136,437.22. At the conclusion of Attorney Oxford’s presentation, the Board made had a number of questions concerning QIPP and MPAP 3, the costs associated with each, and the factors and assumptions taken into consideration. Once the questions were answered, Director Rollo made a motion to approve the payment of bills and the financial reports presented by staff and set forth in **Exhibit “F-1”** and moved to adopt Budget Amendment 1. (See **Exhibit “F-2”**). This motion was seconded by Director Espinosa and approved in favor of by all Board members w for Director Stramecki who

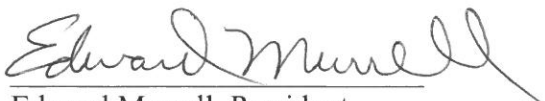
abstained from approving the budget due to the fact that a budget amendment called for an amendment to the website line item, which involved his wife's business.

With an understanding of the budget and the QIPP program, the Board was asked to address Agenda Item No. 13 to discuss and take action, if necessary, on approving loan documents for nursing home operations. Attorney Oxford was once again called on to present the loan documents for Loan 10 to finance nursing home operations, including making an IGT for QIPP 1 for the period of September 2017 through February 2018. (See **Exhibits "G-1"**, Promissory Note; **"G-2"**, Security Agreement; **"G-3"**, Interbank DACA Agreement; and **"G-4"**, Wells Fargo DACA Agreement). Attorney Oxford explained that Neches Capital is now Salt Creek Capital, LLC and unfortunately since the District is being asked to make an IGT for on May 25, 2017, the District was not in a position to utilize Post Oak Bank in time to make this IGT. Therefore, he stated that the District had other choice but to utilize Salt Creek Capital for this loan. Per Mr. Oxford, the amount of the loan was for \$4,775,788.00 to be paid in full on March 25, 2018, or in ten (10) months. However, unlike the prior nine (9) loans, the payment schedule for Loan 10, as set forth in Exhibit "A" to the Promissory Note, calls for four (4) fixed interest payments but then the District was scheduled to start paying down the principle in preset amounts starting in the fifth (5th) month. Consequently, the District's interest payments would be reduced each month starting at month six (6) through ten (10). Overall, the interest costs for this loan amounts to \$504,147.54 over ten (10) months. Meanwhile, Attorney Oxford also informed the Board that unlike prior loans, Salt Creek Capital has asked the District to deposit the total interest payments of \$504, 147.54 in the District's Interbank account prior to Salt Creek funding Loan 10 (i.e., May 24, 2017). From there, the District could transfer each monthly interest payments from its Interbank account to the Salt Creek Capital account starting on July

25th, 2017 and each month thereafter on the 25th or the next business day following the 25th of each month through March 2018. At the conclusion of this presentation and explanation, Attorney Oxford answered some questions but then a motion was made by Director Strametcki to approve the loan documents set forth in **Exhibits “G-1”, “G-2”, “G-3”, and “G-4”**; authorize the President to execute the agreements; and transfer \$504,147.54 to the District’s Interbank account. This motion was seconded by Director Espinosa, with the unanimous consent of all Board members present.

The last action item discussed prior to adjourning was Agenda Item No. 14 to discuss and take action if necessary on funding IGT for QIPP Eligibility Period 1 (September 2017 through February 2018) and MPAP Eligibility Period 3. Attorney Oxford stated briefly now that the budget amendment has been approved and the loan documents were approved, the loan was going to be funded on May 25, 2017 and then swept by the state on May 26, 2017. Attorney Oxford simply asked for a motion to fund the IGT on May 26, 2017 for QIPP Eligibility Period 1 that covers the period of September 2017 through March 2018. There said, a motion was made by Director Stramecki to fund the IGT on May 26, 2017 for QIPP Eligibility Period 1 in the amount of \$4,775,588.00. This motion was seconded by Director Espinosa, with the unanimous consent of all Board members present.

There being no further business to discuss, President Murrell informed the Board that the next regularly scheduled meeting would be on June 21st, 2017 at 6:00 p.m. At 9:23 p.m., a motion was made by Director Espinosa to adjourn the meeting. This motion was seconded by Director Burgess and unanimously approved by all the Board members present.


Edward Murrell, President


Jeff Rollo, Vice-President