

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

The Regular 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 seventy-two (72) hours prior to the opening of said meeting for 6:00 p.m. on the 15th day of November 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
Anthony Stramecki, Treasurer
Raul Espinosa, Secretary
Sharon Burgess, 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; Yani Jiminez, Indigent Care Director; Hubert Oxford, IV, General Counsel; David Sticker, District’s CPA; and citizens listed on the attached sign in sheet. (*See Exhibit “A”*).

At 6:01 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 and those present recited the Pledge of Allegiance., President Murrell called for public comment. There being 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 October 18, 2017 Regular Meeting and October 30, 2017 Special Meeting. The Board reviewed the meeting minutes and asked Attorney Oxford to make changes to the minutes reflecting that Directors Burgess and Espinoza were in attendance at the meeting. Attorney Oxford apologized for the mistake and advised the Board he

would make the changes immediately. Afterwards, Director Stramecki made a motion to approve the minutes of the October 18, 2017 Regular Meeting and October 30, 2017 Special Meeting subject to the requested changes. This motion was seconded by Director Burgess with the unanimous consent of the entire Board.

The Board was then asked to move to Agenda Item No. 4, to review and approve financials report; payment of invoices, and amend budget, if necessary. President Murrell called on the District's CPA, David Sticker, to review the financials. Mr. Sticker then provided the Board with the following: 1) Balance Sheet 2) Profit & Loss Budget vs. Actual as of October 18, 2017; 3) a list of Open Invoices, along with the invoices attached, to be approved by the Board; and 4); a Check Register from October 18, 2017 to November 14, 2017. (See **Exhibit "B"**). Per Mr. Sticker, as of November 15, 2017, the District had total assets of \$14,347,095.35. On the other hand, the District had \$10,300,967.03 in liabilities and \$4,046,128.32 in equity.

In regard to the budget, Mr. Sticker reported that at the December meeting, there will need to be some budget amendments. Some of the amendments he anticipated were to lower tax revenue by \$85,000.00 while on the expense side, he anticipated that the District would need to lower the payments for the emergency room by at least \$80,000.00 and increase the payments to the WSEMS to account for the \$39,300.00 ambulance costs and the cost for outpatient treatment at UTMB.

At the conclusion of the discussion regarding the District's finances, a motion was made by Director Burgess to approve the financial reports and outstanding invoices set forth in **Exhibit "B"**. This motion was seconded by Director Stramecki with the unanimous approval of all Board members present.

Next up for consideration was Agenda Item No. 5, Committee reports. No Committee Chairman had a report and therefore, President Murrell called on staff to present reports pursuant to Agenda Item No. 6. Staff reports were as follows:

- a. **District Administrator:** The District Administrator stated that she had nothing to report.
- b. **District Indigent Care Director:** President Murrell then turned to the District’s Indigent Care Director, Yani Jiminez and asked for her indigent care report. Mrs. Jiminez presented the Board with the District’s Indigent Care reports for October 2017. (See Exhibit “C”). A summary of the report is as follows:

	Oct-17			
# of Clients:	77			
	Billed Amount	Medicaid Rate	% of Services	Actually Paid
Summary by Facility				
Winnie Community Hospital	\$41,388.00	\$16,958.92	43.40%	\$0.00
Pharmacy				
Brookshire Brothers Pharmacy	\$10,071.51	\$8,790.02	22.50%	\$8,790.02
Wilcox Pharmacy	\$2,154.52	\$1,246.83	3.19%	\$1,246.83
Total	\$12,226.03	\$10,036.85	25.69%	\$10,036.85
UTMB				
UTMB Hospital	\$30,130.60	\$8,436.56	21.59%	\$8,436.56
UTMB Physician Services	\$9,852.00	\$3,641.96	9.32%	\$3,641.96
Total	\$39,982.60	\$12,078.52	30.91%	\$12,078.52
Grand Totals	\$93,596.63	\$39,074.29		\$22,115.37
Summary by Service Provided				
Prescription Drugs	\$12,226.03	\$10,036.85	25.69%	\$10,036.85
WCH Clinic	\$6,380.60	\$2,616.05	6.70%	\$0.00
Winnie ER	\$18,303.00	\$7,504.23	19.21%	\$0.00
WCH Labs	\$4,984.00	\$2,043.44	5.23%	\$0.00
WCH Lab/Xray	\$9,289.00	\$3,808.49	9.75%	\$0.00
WCH Xray	\$590.00	\$241.90	0.62%	\$0.00
Lab/Xcray readings	\$1,841.40	\$744.81	1.91%	\$0.00
UTMB Outpatient	\$20,721.60	\$5,802.04	14.85%	\$5,802.04
UTMB Lab/Xray	\$9,083.00	\$2,543.24	6.51%	\$2,543.24
UTMB-Other Services	\$326.00	\$91.28	0.23%	\$91.28
UTMB Physician Services	\$9,852.00	\$3,641.96	9.32%	\$3,641.96
Grant Totals	\$93,596.63	\$39,074.29		\$22,115.37

- c. **District General Counsel:** Attorney Oxford reported on the news regarding Genesis Healthcare’s financial condition and explained that news reports over the last week have raised the possibility that Genesis may face bankruptcy if they were not able to

renegotiate some of its leases. After receiving the news, Attorney Oxford stated that he asked for a response from Genesis who reported that the news article at issue pulled language from our SEC filing that Genesis was required to report as a worst-case scenario. However, in a subsequent article, it was reported that on a conference call with investors, that Genesis was able to recently pause cash payments on certain debt and restructure some lease agreements with a landlord that reduced rent by \$54,000,000.00 per year which was expected to bring relief of \$80,000,000.00 to \$100,000,000.00 in annually. As a result, Genesis reported that in the year leading up to September 30, 2017, Genesis had \$5,000,000.00 in pretax cash flow after rent, interest, and capital expenditures for maintenance. (See **Exhibit “D”**). Further, the article did state the pressure faced by Genesis was due to the fact managed care had reduced patients lengths of stays by twenty (20%) and a ten (10%) to fifteen (15%) lower per patient Medicare payment rate.

In addition, Attorney Oxford reported that he had been contacted by a lawyer from Houston who inquired on whether the Hospital District would be interested in prosecuting a lawsuit against the manufacturers of opioids for the cost to the Hospital District resulting from the payment of indigent care for the treatment of opioid abusers. Attorney Oxford disclosed that he had worked with the firms in the past on other litigation and that the lawyers were very effective in their prior litigation against drug manufactures but was unsure of the District’s damages and whether the cases were worth pursuing. Therefore, he recommended that the Board review the material presented by the requesting lawyers and discuss the matter at a later date. (See **Exhibit “E”**).

Lastly, Attorney Oxford reported that he received an e-mail from HMG inquiring whether the District was interested in purchasing six (6) additional facilities. Attorney Oxford informed the Board that he does not have much information on the facilities but believed they were all located in Harris County, Texas. Moreover, Attorney Oxford stated that the Board would need to decide on this issue at the next meeting or a special called meeting because the deadlines to submit CHOWs would most likely be in February or March of 2018. In response to questions by Board members concerning whether the District should do this, Attorney Oxford reminded the Board that there was a fixed pool of QIPP funds to be distributed and if other governmental entities added more nursing homes, the amount allocated to the District will be diluted if the District does not increase its numbers.

d. **LTC Report:** LTC submitted a monthly report. (See **Exhibit “F”**).

e. **Hospital Report:** None.

Following the staff reports, President Murrell asked the Board to address Agenda Item No. 7, to discuss and take action, if necessary on adopting a resolution to close all of the District’s Wells Fargo accounts and opening new DAISA and DACA accounts at Post Oak Bank

for the Clairmont and The Woodland's facilities. Attorney Oxford presented the Board with an Authorizing Resolution and explained that the revenues for all the Caring facilities and most of the Genesis facilities, except the Woodlands and Clairmont Beaumont, were now flowing through the facilities' DAISA and DACA accounts at Post Oak Bank and that the District's staff needed authority to close the Wells Fargo accounts once the District received authority from Managers that the accounts were ready to be closed. (See **Exhibit "G"**). Attorney Oxford also explained that he submitted draft Deposit Account Control Agreements with Salt Creek Capital for the new Post Oak Bank Accounts to review but has not received any comments. Following a review of the draft Authorizing Resolution, a motion was then made by Director Burgess to execute the Authorizing Resolution and to close the Wells Fargo accounts when they were ready. This motion was seconded by Director Stramecki and unanimously approved by all Board members.

President Murrell then turned the Board's attention to Agenda Item No. 8, to discuss and take action, if necessary on considering amended Management Agreements with the Managers of the District's Nursing homes. Attorney Oxford asked that this matter be tabled because he was waiting on feedback from the lawyers for the District's managers to provide comments to the changes that had been made. A motion was made by Director Burgess to table Agenda Item No. 8. This motion was seconded by Director Rollo and was approved with the unanimous consent of all Directors present.

Next, President Murrell called on Director Stramecki to address Agenda Item No. 9, which called for a discussion and consideration of the Amended Service Agreement with the LTC Group to assist with the management of the District's Nursing homes. Director Stramecki reported to the Board that he had discussed the agreement and scope of services with Todd

Biederman, Chief Executive Officer of LTC Group, and felt comfortable for the term (i.e., one year from September 2017) of the proposed contract that it was in the best interest of District to enter into the agreement. (See **Exhibit “H”**). In response to questions about the costs of the agreement, Director Stramecki confirmed that the agreement called for the monthly payment of \$5,700.00 per home for nineteen (19) homes or \$108,300.00. Further, Attorney Oxford reminded the Board that the past payments made to LTC were based on a fair market value assessments and the amount charged under this agreement was far less than what was originally paid to LTC Group. Attorney Oxford also informed the Board that while the costs for the services were substantially reduced, LTC Group agreed to provide nearly the identical services. Subsequently, a motion was made by Director Burgess to approve the Amended Service Agreement with the LTC Group with the understanding that the Board would reconsider the agreement in July of 2018. This motion was seconded by Director Stramecki and was approved with the unanimous consent of all Directors present.

Consequently, President Murrell asked the Board to turn their attention to Agenda Item No. 10, to discuss and take action, if necessary on discussing youth counseling program. Attorney Oxford explained that he had discussed the program with Mrs. Stace Farrow, the proposed counselor, but the two were not ready to present a proposal to the Board because they have not had time to meet and discuss the particulars of any plan because Mrs. Farrow was in the process of moving. Therefore, Mr. Oxford request that this agenda item be tabled. Thus, a motion was made by Director Burgess to table Agenda Item No. 10. This motion was seconded by Director Stramecki with the unanimous consent of all Board members.

Upon the completion of the report on the youth counseling program, President Murrell once again called on Director Stramecki to explain Agenda Item No. 11, to discuss and take

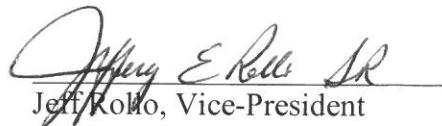
action, if necessary to accept settlement terms of Genesis' MPAP 3 settlement. Director Stramecki reminded the Board that it had budgeted \$171,000.00 as revenue from Genesis as a result of an adjustment to the Management Agreement negotiated by Attorney Oxford. However, upon collection, Genesis raised an issue with amount it had previously negotiated and Director Stramecki agreed to negotiate a final resolution on behalf of the District. Director Stramecki reported to the Board that he had worked with the Genesis Regional Vice President and the two agreed that Genesis would pay half of the amount due in two equal installments as a settlement and compromise to the original number agreed to. The Board thanked Director Stramecki for his efforts to resolve the matter and thanked Attorney Oxford for his efforts to generate the additional revenue. Director Stramecki then requested a motion be made to approve the compromise agreement of \$85,500.00 paid by Genesis to the District in two equal monthly installments. Following this requests, Director Rollo made a motion to approve Director Stramecki's recommendation of payment of \$85,500.00 by Genesis to the District in two separate monthly installments. This motion was seconded by Director Burgess and approved by all Board members present.

Lastly, the Board was asked to address Agenda Item No. 12, to discuss and take action, if necessary to adopt a records management program. President Murrell called on Attorney Oxford to present the agenda item. Attorney Oxford referred the Board to **Exhibit I**, which contained all the documents necessary for the Board to adopt a formal document retention policy as provided by the Texas State Library & Archive Commission and set forth in Chapter 441 of the Texas Government Code and Administrative Rules of Texas State Library and Archives Commission found in the Texas Administrative Code - Title 13, Chapter 6. Currently, since the District does not have a Document Retention Policy, it is bound to keep all of its records in perpetuity.

However, if it adopts the policy found in **Exhibit I**, the District can destroy documents following the relevant time period described in the policy. In addition to the retention policy documents are to be retained, Exhibit I includes: 1) Order Establishing Records Management Program; 2) Designation of Local Government Records Management Officer; and 3) a Declaration of Compliance. In regard to the Records Management Officer, Attorney Oxford suggested that Administrator Norris be designated as the District's Officer. With this recommendation, Director Burgess made a motion to adopt the Document Retention Policy found in Exhibit I and to nominate Administrator Norris as the District's Records Management Officer. This motion was seconded by Director Rollo, with the unanimous consent of all Board members.

At the end of the action items, President Murrell called for any other such matters before the Board. There being none, President Murrell informed the Board that the next regularly scheduled meeting would be on December 20th, 2017 at 6:00 p.m. in order to accommodate vacation schedules. At 7:23 p.m., a motion was made by Director Burgess to adjourn the meeting. This motion was seconded by Director Espinoza and unanimously approved by all the Board members present.


Edward Murrell, President


Jeff Rollo, Vice-President