

**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 24th day of January 2018, at the Winnie Community Hospital (“Hospital”)-Conference Room, Broadway, Winnie Texas (a copy of said Notice being placed amongst the files of the District).

At approximately 6:05 p.m., the public hearing was convened, and 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. Also present at the public hearing were: Sherrie Norris, District Administrator; Yani Jimenez, Indigent Care Director; Hubert Oxford, IV, General Counsel; David Sticker, District’s CPA; Steve Lucas with Post Oak Bank; Tommy Davis, District Auditor, who participated by conference call; and other citizens listed on the attached sign in sheet. (*See Exhibit “A”*).

There being no public comment, President Murrell asked the Board to consider and take action on Agenda Item No. 4, to review and approve the minutes of the Public Hearing and Regular Meeting held on December 20, 2017 and the January 10, 2018 Special Meeting minutes. The Board reviewed the minutes and a motion was made by Director Stramecki to approve the minutes of the December 20, 2017 Public Hearing and Regular Meeting and the Special Meeting minutes of the January 10, 2018. This motion was seconded by Director Burgess with the unanimous consent of all Board members.

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) Profit & Loss Budget vs. Actual as of January 24, 2018; 2) Profit & Loss v. Actual as of December 31, 2017; 3) Balance Sheet as of December 31, 2017; 4) Check Register from December 20, 2017 through January 24, 2018; and 5) Open Invoices for Approval as of January 24, 2018. (See Exhibit "B"). After a review of the Profit & Loss Budget vs. Actual as of December 31, 2017, Attorney Oxford and the District's CPA engaged in a discussion on the need to make several changes in QuickBooks to reconcile QuickBooks with the correct amended budget values that was passed at the December 20, 2017 Public Hearing and Regular Meeting. Specifically, the changes discussed were for the following line items:

Line Item	Revised Budget- Amendment 3 Dec. 20, 2017	Quickbook Amounts 12/31/2017
400 Sales Tax Revenue	\$500,000.00	\$460,000.00
523 Professional Fees - District Legal	\$40,000.00	\$160,000.00
573 Admin-Copier Lease/Contract	\$2,000.00	\$1,800.00
604 IC-Non Hosp. Costs-Other	\$10,000.00	\$25,000.00
604 IC-Non Hosp. Costs-UTMB	\$40,000.00	\$10,000.00
605 IC-Office Supplies/Postage	\$1,300.00	\$1,200.00
606 IC-Pmt to Hosp.-ER	\$85,000.00	\$50,000.00
615 IC-Software	\$12,708.00	\$12,000.00
631 NH Program IGT	\$3,183,725.33	\$3,183,725.00
*634 NH Program-Legal Fees	\$250,000.00	\$100,000.00

After a discussion regarding the District's finances and the need to correct the December 31, 2017 Financial Statement, a motion was made by Director Rollo to approve the financial reports pending the corrections to the QuickBook statements for December 31, 2017; outstanding invoices; and check register as set forth in Exhibits "B". This motion was seconded by Director Burgess with the unanimous approval of all Board members present.

Next up for consideration was Agenda Item No. 6, Committee reports. President Murrell requested reports by any of the Committee Chairpersons. The only Chairperson that asked to give a report was Chairman Espinosa. According to Director Espinosa, a patient he knew from St. Vincent DePaul was admitted to the Hospital and the patient needed to be transported to Houston for special care. After receiving a request to assist with the transfer, the Hospital facilitated the request and transported the patient to Houston. Director Espinosa thanked the Hospital for their assistance and efforts to help the patient.

After Director Espinosa's report, President Murrell called on staff to present reports pursuant to Agenda Item No. 7. Staff reports were as follows:

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

Month 2017	December				2017 Year to Date			
	Billed Amount	Medicaid Rate	% of Services	Actually Paid	Billed Amount	Medicaid Rate	% of Services	Actually Paid
# of Clients:	69							
Summary by Facility								
Winnie Community Hospital	\$18,682.00	\$7,659.62	28.78%	\$0.00	\$520,406.20	\$214,062.41	62.22%	\$0.00
Pharmacy								
Brookshire Brothers Pharmacy	\$6,132.98	\$5,438.71	20.43%	\$5,438.71	\$68,347.89	\$61,823.33	17.97%	\$61,823.33
Wilcox Pharmacy	\$1,478.89	\$824.31	3.10%	\$824.31	\$24,838.14	\$15,978.22	4.64%	\$15,978.22
Total	\$7,611.87	\$6,263.02	23.53%	\$6,263.02	\$93,186.03	\$77,801.55	22.61%	\$77,801.55
UTMB								
UTMB Hospital	\$33,015.27	\$7,923.68	29.77%	\$7,923.68	\$117,171.89	\$31,487.53	9.15%	\$31,487.53
UTMB Physician Services	\$12,690.00	\$4,770.47	17.92%	\$4,770.47	\$33,500.95	\$11,941.46	3.47%	\$11,941.46
Total	\$45,705.27	\$12,694.15		\$12,694.15	\$150,672.84	\$43,428.99		\$43,428.99
3rd Party Providers								
Dr. Andres Leonidas	\$0.00	\$0.00	0.00%	\$0.00	\$3,919.00	\$1,015.76	0.30%	\$1,015.76
Bayside	\$0.00	\$0.00	0.00%	\$0.00	\$16,949.65	\$7,744.33	2.25%	\$7,744.33
Total	\$0.00	\$0.00		\$0.00	\$20,868.65	\$8,760.09		\$8,760.09
Grand Totals	\$71,999.14	\$26,616.79		\$18,957.17	\$785,133.72	\$344,053.04		\$129,990.63
Summary by Service Provided								
Prescription Drugs	\$7,611.87	\$6,263.02	23.53%	\$6,263.02	\$93,186.03	\$77,801.55	22.61%	\$77,801.55
WCH Clinic	\$5,585.00	\$2,289.85	8.60%	\$0.00	\$77,045.80	\$31,588.79	9.18%	\$0.00
WCH ER	\$6,372.00	\$2,612.52	9.82%	\$0.00	\$222,879.00	\$91,380.39	26.56%	\$0.00
WCH Inpatient	\$0.00	\$0.00	0.00%	\$0.00	\$5,043.00	\$2,773.65	0.81%	\$0.00
WCH Observation	\$0.00	\$0.00	0.00%	\$0.00	\$13,030.00	\$5,342.30	1.55%	\$0.00
WCH Labs	\$4,459.00	\$1,828.19	6.87%	\$0.00	\$76,542.00	\$31,382.22	9.12%	\$0.00
WCH Physical Therapy	\$0.00	\$0.00	0.00%	\$0.00	\$4,306.00	\$1,765.46	0.51%	\$0.00
WCH Ultrasound	\$0.00	\$0.00	0.00%	\$0.00	\$15,120.00	\$6,199.20	1.80%	\$0.00
WCH Lab Xray	\$0.00	\$0.00	0.00%	\$0.00	\$55,936.00	\$22,933.76	6.67%	\$0.00
WCH CT Scan	\$0.00	\$0.00	0.00%	\$0.00	\$19,765.00	\$8,103.65	2.36%	\$0.00
WCH Xray	\$885.00	\$362.85	1.36%	\$0.00	\$23,355.00	\$9,575.55	2.78%	\$0.00
Lab Xray readings	\$1,381.00	\$566.21	2.13%	\$0.00	\$7,384.40	\$3,017.44	0.88%	\$0.00
UTMB Outpatient	\$33,015.27	\$7,923.68	29.77%	\$7,923.68	\$97,731.89	\$26,044.33	7.57%	\$26,044.33
UTMB Anesthesia	\$2,592.00	\$1,992.00	7.48%	\$1,992.00	\$5,642.00	\$4,417.00	1.28%	\$4,417.00
UTMB LAB XRAY	\$0.00	\$0.00	0.00%	\$0.00	\$19,114.00	\$5,351.92	1.56%	\$5,351.92
UTMB-Other Services	\$0.00	\$0.00	0.00%	\$0.00	\$326.00	\$91.28	0.03%	\$91.28
UTMB Physician Services	\$10,098.00	\$2,778.47	10.44%	\$2,778.47	\$27,858.00	\$7,524.46	2.19%	\$7,524.46
Andres Leonidas	\$0.00	\$0.00	0.00%	\$0.00	\$3,919.00	\$1,015.76	0.30%	\$1,015.76
Bayside Hospital	\$0.00	\$0.00	0.00%	\$0.00	\$16,949.65	\$7,744.33	2.25%	\$7,744.33
Grand Totals	\$71,999.14	\$26,616.79		\$18,957.17	\$785,132.77	\$344,053.04		\$129,990.63

- c. **District General Counsel:** Attorney Oxford reported on the status of closing the District's various Wells Fargo bank accounts and transferring the accounts to Post Oak Bank. According to Attorney Oxford, he has supplied Wells Fargo with all the requested documents for all eleven (11) of the thirteen (13) nursing facilities and has had conversations with the local representative confirming that the accounts needed to be closed. As for the remaining accounts for Clairmont and the Woodlands, Attorney Oxford explained that he was working with the HUD Lender's lawyer and the lawyer for Genesis to close these accounts. However, he explained that there were more obstacles involved in closing these accounts because of the various HUD authorizations required.

In addition, Attorney Oxford reported on an upcoming meeting with Post Oak Bank to discuss a line of credit for the District's nursing home operations that could be used to assist with making Intergovernmental Transfers. Attorney Oxford explained that the meeting was set up with the banks commercial lending division for the upcoming Friday, January 26, 2018 in Houston, Texas.

- d. **LTC Report:** None.
- e. **Hospital Report:** None.

Following the staff reports, President Murrell asked the Board to address Agenda Item No. 8, to discuss and take action, on approving the 2016 Audit of the Winnie Stowell Hospital District. In so doing, President Murrell called on the District's auditor, Tommy Davis, to present the draft 2016 Audit. *See Exhibit "D"*. Overall, Mr. Davis stated that the District was in sound financial shape and there was no problem dealing with the staff to complete the audit. With this said, he raised two related material deficiencies that the auditors would like addressed in the coming year. The two deficiencies raised in 2016 audit were the same deficiencies raised in the 2014 & 2015 audit and both stem from the need for the District to receive the monthly and annual financials for each nursing facility on a timely basis. Again, the first deficiency was the need to reconcile certain general ledger accounts and make "adjustments" to all general ledger accounts on a monthly and annual basis to reflect financial activity in accordance with generally accepted accounting principles. The second suggestion was to record nursing home activity monthly using the accrual

basis of accounting to keep the financial statements of the District from being materially misstated or misleading. Once Mr. Davis was finished with this presentation, Attorney Oxford explained to the Board that part included in the revised Management Agreements that were recently agreed to were provisions requiring monthly reports as required by the auditor. In addition, he informed the Board that he would bring this to the attention of the Managers so that the deficiencies would not be included in future audits. Following some questions and confirmation that the deficiencies were both caused by the fact that the District was not receiving information on a timely basis from the nursing, a motion was then made by Director Rollo to approve the draft 2016 audit in its final form. This motion was seconded by Director Espinosa and unanimously approved by all Board members.

President Murrell then turned the Board's attention to Agenda Item No. 9, to discuss and take action, if necessary, on approving loan assistance request by Riceland healthcare provider. Before discussing the request with the Board, President Murrell read the request by Health Redwine, a Nurse Practitioner for Riceland at the Winnie Community Hospital, and the recommendation by Dan Yancy, the hospital Administrator for the Winnie Community Hospital. (See **Exhibit "E"**). Afterwards, the Board requested to speak to Mr. Redwine, who was previously at the meeting but had to return to work at the emergency room. Mr. Redwine was unavailable to return to the meeting because he was attending. Therefore, the Board requested hospital staff ask Mr. Redwine to attend the next meeting to make the request. A motion was then made to table this agenda item by Director Burgess. This motion was seconded by Director Rollo and passed with the unanimous consent of all Board members.

Next, President Murrell reminded the Board that at the December 2017 Regular Meeting, the Board was asked to consider the acquisition of six (6) additional nursing facilities but tabled

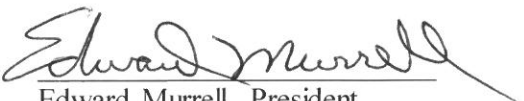
the matter because the Board needed further information. At this meeting, President Murrell explained that because of the timelines set by the Texas Health and Human Services Commission, the Board needed to consider and take action, if necessary on Agenda Item No. 10, acquiring additional nursing homes. Attorney Oxford once again explained that the District had been approached to take on six (6) more nursing homes for the second year of the Quality Incentive Payment Program ("QIPP"). (See **Exhibit "F"**). Attorney Oxford suggested to the Board that the addition of new homes is worth considering to offset potential losses in nursing home QIPP revenue that may arise if the State of Texas does not increase the pool of QIPP supplemental payment program funds available. Specifically, Attorney Oxford discussed that if the pool of funds to be used for the QIPP programs remained at \$400,000,000.00 and other governmental entities increase the number of nursing facilities participating, the amount available per facility will decrease. Therefore, by adding additional nursing facilities, the District would offset any potential losses resulting from other entities adding additional nursing facilities. In addition, Attorney Oxford discussed the need for the Board to approve staff and Post Oak Bank to open a Government Receivables account and Commercial account for each of the five facilities and to have these accounts subject to the Signatory Resolution passed by the Board at the April 19, 2017 Regular Meeting. Since this matter had already been discussed at the prior meeting, there was little Board discussion and a motion was made by Director Rollo to approve the acquisition of the following nursing homes Park Manor of Woodlands; Park Manor of Tomball; Park Manor of Southbelt; Deerbrook Skilled Nursing and Rehab; Friendship Haven Nursing and Rehabilitation, and the Rio Mainland Center; and to open a Government Receivables account and Commercial account for each of the five nursing facilities subject to the Signatory Resolution passed at the

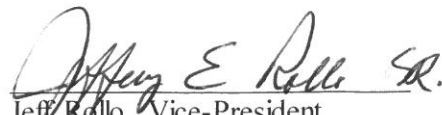
April 19, 2017 Regular Meeting. This motion was seconded by Director Espinosa and was approved with the unanimous consent of all Directors.

After addressing Agenda Item No. 10, President Murrell asked the Board to turn their attention to Agenda Item No. 11, to discuss and take action, if necessary, on adopting an Amended and Restated Deposit and Transfer Procedures Policy. Attorney Oxford reported that he was still working on finalizing this document and requested that the agenda item be tabled. Thus, a motion was made by Director Rollo to table Agenda Item No. 11. This motion was seconded by Director Stramecki with the unanimous consent of all Board members

Finally, President Murrell turned to Agenda Item No. 12, on approving amendments to Loan 10 and Loan 12 Promissory Notes and Security Agreements. to discuss and take action, if necessary, on approving youth counseling program. As with Agenda Item No. 11, Attorney Oxford asked that this matter be tabled so that he could finalize the amendments to the loan documents. Director Rollo then made a motion to table Agenda Item No. 12. This motion was seconded by Director Burgess and approved by all Board members present.

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 one week later than usual due to scheduling conflict and would take place on February 21st, 2018 at 6:00 p.m. At 7:53 p.m., a motion was made by Director Rollo to adjourn the meeting. This motion was seconded by Director Espinosa and unanimously approved by all the Board members present.


Edward Murrell, President


Jeff Rollo, Vice-President