

**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 18th day of April 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 6:00 p.m., the meeting 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; Mo Danishmund, Chief Financial Officer of Winnie Community Hospital; Chris Portner, General Counsel for Winnie Community Hospital; Mr. Wade Thibodeaux, the Hometown Press; Gloria Roemer, Seabreeze Beacon; and interested citizens Hazel Meaux and Larry Barron.

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 Regular Meeting held on March 21, 2018. The Board reviewed the minutes and a motion was made by Director Burgess to approve the minutes of the Regular Meeting held on March 21, 2018. This motion was seconded by Director Espinosa with the unanimous consent of all Board members.

The Board was then asked by President Murrell to consider Agenda Item No. 5, to review and approve financial reports; payment of invoices, and amend budget, if necessary. Mr. Sticker

was unable to attend due to a scheduling conflict with another client that had a pressing issue that needed to be addressed immediately. Therefore, Attorney Oxford and Mrs. Norris presented the Board with a Cash and Investment Report as well as: 1) Balance Sheet as of March 31, 2018; 2) Profit & Loss Budget vs. Actual as of March 31, 2018; and 3) the check register for the District's Prosperity Account from since the March 21, 2018 Regular Meeting to April 16, 2018. (*See Exhibit "A"*).

Prior to the discussion on the monthly expenses, Mrs. Norris explained to the Board that the District's net cash available following the payment of all accounts payable was \$1,339,513.59. She also informed the Board that in the upcoming weeks, the District would be receiving deposits in the Interbank account for: 1) QIPP 1 Component 1 funds of \$63,991.41; 2) QIPP 1, 2nd Quarter Component 2, 3, and Lapsing funds in the amount of \$2,035,378.15; 3) as well as the initial QIPP 2 Component 1 funds totaling \$695,227.39. Once all the funds have been received, Mrs. Norris advised that she would obtain authority from the Board President to transfer the QIPP 1, Component 1 funds (\$63,991.41) and QIPP 1, 2nd Quarter Component 2, 3 and Lapsing funds (\$2,035,378.15) to the District's Prosperity bank. Concerning, the Component 1 funds received for QIPP 2, she reported that the District had a principle and interest due on May 1, 2018 totaling \$477,513.40 and after this was paid, she recommended transferring the balance to Post Oak Bank to repay the District's Line of Credit. In addition, she explained that once the funds had been deposited into the District's Prosperity Account, the District needed to reconcile the incentive payments pursuant to the Management Agreements and pay the Managers of the District's nursing facilities. Likewise, the District had invoices due to be paid to LTC Group totaling \$324,900.00 for February 2018 through April 2018.

After Mrs. Norris reviewed the upcoming transactions, she then asked the Board to review the outstanding invoices. As the Board was considering the invoices, Attorney Oxford explained that the invoice by Durbin & Company for the 2016 audit was received. Unfortunately, the invoice was for \$47,813.75 which was substantially more than the estimated cost suggested by Auditor. By way of background, Attorney Oxford reminded the Board that they were first asked to consider a proposed engagement letter for the 2017 Audit submitted by Durbin & Company at the July 10, 2017 Special Meeting but the Board tabled the matter until the July 26, 2017 Regular meeting in order to include the expected cost of the audit in the letter. This was received prior to the July 27, 2017 meeting with an estimated cost \$20,000.00 to \$24,000.00. (See **Exhibit "A"**). Soon thereafter, the District provided the auditor with the requested information except 1) the financials for a portion of the Caring Healthcare financials; and 2) all the Genesis financials. The missing financials were subsequently provided to the Auditor by the end of October 2018. Afterwards, Attorney Oxford explained that there were several e-mail exchanges requesting status updates and ultimately, he was informed in December 2018 that the audit would be presented for approval at the January 24th, 2018 Regular Meeting. Relating to the invoice at issue, because there did not appear to be any irregularities or undue delays, Attorney Oxford recommended asking the Auditor to come to the next meeting so that the Board could receive an explanation for the invoice and to establish parameters for the 2017 audit.

Following the discussion concerning the 2016 audit, a motion was made by Director Burgess to:

- approve the Cash and Investment Report/Financial reports;
- pay outstanding invoices except for the Durbin & Company invoice; and
- authorize the upcoming transfers of QIPP 1 Component 1 funds, QIPP 1, 2nd Quarter Component 2, 3, and Lapsing funds, and QIPP 2 Component 1 to repay the District's

line of credit at Post Oak Bank and make the upcoming payment of incentive fees to the Managers and LTC Group's February through April 2018 invoices. *See Exhibit "B"*.

This motion was seconded by Director Stramecki and approved with the consent of a Board members.

Next, President Murrell asked the Committee Chairpersons if they had anything discussed as set forth in Agenda Item No. 6. The various Chairpersons all stated that they had nothing to report. Therefore, President Murrell turned to Agenda Item No. 7, to discuss staff reports. The reports given by staff were as follows:

- a. **District Administrator:** None.
- b. **District Indigent Care Director:** Before presenting the Board with her monthly report, Mrs. Jiminez gave the Board a report for this year's Rose Mammogram program. According to Mrs. Jiminez, ten (10) women received the free mammograms and of these women, seven (7) were on the District's indigent program and two (2) were uninsured. Mrs. Jiminez expressed her belief that next year, there would be greater participation levels if the District was able to reduce or eliminate the fee to receive a referral for the mammograph. The Board members then asked the Hospital officials at the meeting to work with Mrs. Jiminez on making arrangements to help offset these referral costs.

Furthermore, Mrs. Jiminez reported to the Board that during her workshop at the Texas Department of State Health Services ("Department") that she was asked by employees with the Department about the District's indigent policies for undocumented aliens. She explained that after advising the Department employees, the District's policies excluded the participation of undocumented aliens, the employees were surprised and expressed their desire that these residents be included in the District's program. Attorney Oxford then suggested a workshop to discuss because given the current state of the law and Texas Attorney General Opinions, as a non-county wide hospital district, the District was not obligated to allow undocumented aliens to participate. In addition, if the District's Board wanted to consider changing its policy, Attorney Oxford recommended that some research be done on the 2010 census to determine the effects of this decision on the overall budget. President Murrell then asked Directors Burgess and Rollo to convene a workshop and make a recommendation.

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Otherwise, Mrs. Jiminez reviewed the March 2018 indigent care report. (See Exhibit “C”). A summary of the report is as follows:

# of Clients:	March				Year to Date			
	Billed Amount	Medicaid Rate	% of Services	Actually Paid	Billed Amount	Medicaid Rate	% of Services	Actually Paid
Winnie Community Hospital	\$51,985.00	\$23,831.61	43.17%	\$0.00	\$177,503.00	\$75,293.99	136.39%	\$0.00
Pharmacy								
Brookshire Brothers Pharmacy	\$4,722.09	\$4,522.38	8.19%	\$4,522.38	\$26,537.55	\$23,301.63	42.21%	\$23,301.63
Wilcox Pharmacy	\$1,551.91	\$893.77	1.62%	\$893.77	\$4,431.79	\$2,695.82	4.88%	\$2,695.82
Total	\$6,274.00	\$5,416.15		\$5,416.15	\$30,969.34	\$25,997.45		\$25,997.45
UTMB								
UTMB Hospital	\$15,043.00	\$3,610.32	6.54%	\$3,610.32	\$122,764.23	\$29,463.40	53.37%	\$29,463.40
UTMB Physician Services	\$2,388.00	\$307.52	0.56%	\$307.52	\$26,977.00	\$7,393.63	13.39%	\$7,393.63
Youth Counseling	\$340.00	\$340.00	0.62%	\$340.00	\$595.00	\$595.00	1.08%	\$595.00
Total	\$17,771.00	\$4,257.84	7.71%	\$4,257.84	\$150,336.23	\$37,452.03		\$37,452.03
Grand Totals	\$76,030.00	\$33,505.60		\$9,673.99	\$358,808.57	\$138,743.47		\$63,449.48
Summary by Service Provided								
Prescription Drugs	\$6,274.00	\$5,416.15	9.81%	\$5,416.15	\$30,969.34	\$25,997.45	47.09%	\$25,997.45
WCH Clinic	\$8,423.00	\$3,453.43	6.26%	\$0.00	\$28,181.00	\$11,554.21	20.93%	\$0.00
WCH FR	\$8,075.00	\$3,310.75	6.00%	\$0.00	\$83,407.00	\$34,196.87	61.95%	\$0.00
WCH Inpatient	\$17,984.00	\$9,891.20	17.92%	\$0.00	\$17,984.00	\$9,891.20	17.92%	\$0.00
WCH Observation	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
WCH Labs	\$8,287.00	\$3,397.67	6.15%	\$0.00	\$8,331.00	\$3,415.71	6.19%	\$0.00
WCH Physical Therapy	\$463.00	\$189.83	0.34%	\$0.00	\$4,644.00	\$1,904.04	3.45%	\$0.00
WCH Ultrasound	\$1,312.00	\$537.92	0.97%	\$0.00	\$1,968.00	\$806.88	1.46%	\$0.00
WCH Lab/Xray	\$2,656.00	\$1,088.96	1.97%	\$0.00	\$9,965.00	\$4,085.65	7.40%	\$0.00
WCH CT Scan	\$2,674.00	\$1,096.34	1.99%	\$0.00	\$2,674.00	\$1,096.34	1.99%	\$0.00
WCH Xray	\$620.00	\$254.20	0.46%	\$0.00	\$7,684.00	\$3,150.44	5.71%	\$0.00
Lab/Xray readings	\$1,491.00	\$611.31	1.11%	\$0.00	\$2,603.00	\$1,067.23	1.93%	\$0.00
UTMB Outpatient	\$15,043.00	\$3,610.32	6.54%	\$3,610.32	\$122,764.23	\$29,463.40	53.37%	\$29,463.40
UTMB Anesthesia	\$0.00	\$0.00	0.00%	\$0.00	\$1,680.00	\$1,155.00	2.09%	\$1,155.00
UTMB Physician Services	\$2,388.00	\$307.52	0.56%	\$307.52	\$25,297.00	\$6,238.63	11.30%	\$6,238.63
Youth Counseling	\$340.00	\$340.00	0.62%	\$340.00	\$595.00	\$595.00	1.08%	\$595.00
Grand Totals	\$76,030.00	\$33,505.60		\$9,673.99	\$348,746.57	\$134,618.05		\$63,449.48

b. **District General Counsel:** Attorney Oxford briefly reported that the achievement levels for the 2nd Quarter QIPP 1 were announced and once again, the District’s facilities had an achievement rate of 89.5%. As was stated previously, this would result in a 2nd Quarter QIPP 1 Component 2, 3, and Lapsing Funds of \$2,035,378.15, which was more than originally budgeted.

Additionally, Attorney Oxford reported that he received a call and an e-mail from Genesis informing him that they sold their six (6) facilities owned by the District to Regency Nursing Homes and the sale was anticipated to be completed by the end of the year. Further, Attorney Oxford informed the Board that he held calls with officials for Regency who expressed their interest to continue the relationship with the District and keep everything the same.

c. **LTC Report:** See Exhibit “D”.

d. **Hospital Report:** None.

Following the staff reports, President Murrell asked the Board to address Agenda Item No. 8, to discuss and take action, if necessary, on approving loan documents for Loan 13 with Salt

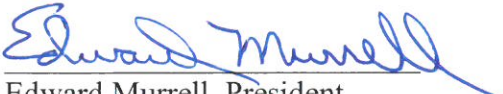
Creek Capital, LLC. President Murrell explained that he had been negotiating with Salt Creek Capital for several months on the terms for Loan 13. According to President Murrell, the loan terms proposed call for ten (10) interest payments at 16.8% and a balloon note at the end of the tenth month. Attorney Oxford presented the Board with draft versions of the documents and explained that they would need to be completed as details involving the IGTs became available. (See **Exhibit “E”**) After some discussion concerning the loan terms and other options in the future, a motion was made by Director Stramecki to approve the Loan 13 Promissory Note, Security Agreement, and Deposit Account Control Agreement up to \$8,000,000.00. (See **Exhibit “E”**). This motion was seconded by Director Rollo and approved by all Board members present.

Next, President Murrell called on Attorney Oxford to discuss Agenda Item No. 9, to discuss and take action, if necessary, on approving the Third Amended and Restated Banking and Transfer Policies and Procedures. Attorney Oxford began the discussion by explaining that the policy was broken down into three (3) sections. (See **Exhibit “F”**). The first section explained the double lock box method and why the District was utilizing this method for all its nursing home accounts. The second section explained the cash flow for the nursing home operations accounts. Most importantly, the third section established policies for the administration of QIPP funds, the operation of the District’s Interbank Accounts, and conditions for Salt Creek Capital to grant the District future short term nursing home operations loans.

In regard to the third section of the proposed policy amendments, Attorney Oxford explained that Salt Creek Capital require the a number of conditions be met, including 1) the District agrees to keep all of its Component 1 funds in its Interbank Commercial Account as they are received for the first Intergovernmental Transfer (“IGT”) for year two (2) of the Quality Incentive Payment Program; 2) the District deposit the first five (5) months of rent in its Interbank

account at the beginning of the loan; 3) once the District receives the initial quarterly Component 2, 3, and/or Lapsing funds payments from an IGT made for this period, the District will reserve any shortfall between the IGT and the first six (6) Component 1 fund payments; 4) the District would give Salt Creek Capital notice if it discontinued its relationship with LTC Group; and 5) the District would get Salt Creek Capital's approval prior to amending the policy. President Murrell continued by explaining that most of the negotiations over the last three (3) months centered around the amount of money the District would have to set aside for interest payments. Specifically, President Murrell and Attorney Oxford advised the Board that Salt Creek Capital's initial offer for Loan 13 allowed the District to repay the loan starting at the eighth (8th) month but in exchange, they demanded that the District set aside all the interest per loan. For subsequent loans, Salt Creek Capital was going to require a ten (10) month balloon note with all the interest set aside in advance. After analyzing the offer, President Murrell informed the Board that the savings from the option of paying down Loan 13 on the eight (8) month was outweighed by the impact on the cash flow resulting from having to set aside ten (10) months of interest instead of five (5) months of interest. At the end of this lengthy conversation, a motion was made by Director Stramecki to adopt the Third Amended and Restated Banking and Transfer Policies and Procedures. This motion was seconded by Director Burgess and unanimously approved by all the Commissioners present.

President Murrell then called for any other such matters before the Board. There being none, President Murrell informed the Board that the next regularly scheduled would take place on May 16th, 2018 at 6:00 p.m. At 7:16 p.m., a motion was made by Director Stramecki 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