

MINUTES OF THE PUBLIC HEARING AND REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE WINNIE-STOWELL HOSPITAL DISTRICT

The annual Public Hearing of the Board of Directors of the Winnie-Stowell Hospital District (“District”) was published ten days prior to the meeting in the Hometown Press pursuant to Section 286.125 of the Texas Health & Safety Code. Additionally, the annual Public Hearing and the District’s Regular Meeting for 6:00 p.m. on the 20nd day of December 2017 at the Winnie Community Hospital (“Hospital”)-Conference Room, Broadway, Winnie Texas was noticed seventy-two (72) hours prior to the opening of said meeting as required by Chapter 551 of the Texas Government Code. (*See Exhibits “A” and “B”*).

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 except Director Espinosa. Also present at the public hearing 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 “C-1”*). After establishing a quorum was present, President Murrell informed those present that the Finance Committee met and discussed the 2018 budget with Mr. Sticker. Therefore, he called on Directors Stramecki and Espinoza as well as the District’s CPA, David Sticker, to discuss the proposed 2018 Budget.

After distributing copies of the proposed budget, Director Stramecki spent a substantial amount of time explaining the budget to the Board and those present at the Public hearing. (*See Exhibit “D”*). A summary of the budget is as follows:

Line Item	Budget	Notes															
Total Income	\$16,359,946.00	The revenue was derived from anticipated QIPP proceeds from two (2) months of QIPP 1; six (6) months of QIPP 2; and four (4) months of QIPP 3.															
Total Budgeted Expense	(\$16,282,448.00)	Regarding expenses, the proposed budget calls for them to be apportioned accordingly: <table style="margin-left: 40px;"> <tr> <td>Administrative</td> <td>\$103,710.00</td> <td>0.64%</td> </tr> <tr> <td>Indigent</td> <td>\$1,018,858.00</td> <td>6.26%</td> </tr> <tr> <td>Professional</td> <td>\$305,000.00</td> <td>1.87%</td> </tr> <tr> <td>Nursing Home</td> <td>\$14,854,880.00</td> <td>91.23%</td> </tr> <tr> <td></td> <td>\$16,282,448.00</td> <td></td> </tr> </table>	Administrative	\$103,710.00	0.64%	Indigent	\$1,018,858.00	6.26%	Professional	\$305,000.00	1.87%	Nursing Home	\$14,854,880.00	91.23%		\$16,282,448.00	
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Nursing Home	\$14,854,880.00	91.23%															
	\$16,282,448.00																
Net Income	\$77,498.00																

After giving the Board and public an overview, Director Stramecki highlighted some areas of the budget that he wanted to discuss. Those areas were:

Line Item	Budget	Explanation
521, 523, 633, & 634 Professional Fees	521 Acct.-\$12,000.00 523 Legal-\$50,000.00 633 \$43,000.00 634 Legal-\$150,000.00	Director Stramecki recommended that the District assign most of the attorney fees and accounting costs from line item 521 and 523 to line items 633 and 634 because General Counsel and the District's CPA spend most of their time assisting with nursing home operations and facilitating the various nursing home supplemental payment programs.
570 District Promotion	\$5,000.00	Director Stramecki advised that the Committee recommended financing this line item in order to assist with promoting some of the programs that the District was initiating such as the Rose Program for free Mammograms and the youth counseling program.
600 ECISD	\$180,000.00	The Committee discussed the funding of the \$180,000.00 for the ECISD healthcare. However, the Committee recommended changing the designation of this line item to indigent care from an administrative cost.
601 Hospital Equip	\$0	After spending time and effort in 2017 on studying the Emergency Room project for the Winnie

		<p>Community Hospital, the Committee recommended reducing the budget for this line item from \$2,000,000.00 to \$0 in 2018 because the costs of the project made increased substantially due to shortages in labor and supplies and the unexpected increase in the size of the facility to be in compliance with federal and state regulations and patient accessibility. In addition, labor and material costs increased substantially due to Hurricane Harvey. The Committee recommended the District save its money and utilize its reserve funds to assist in lowering nursing home supplemental payment program costs so that it could increase the District's fund balance. At the same time, the Committee recommended considering alternatives to the Emergency Room expansion including the acquisition of needed equipment for the existing facility.</p> <p>To date, Director Stramecki reminded those present that the only money spent on the Emergency Room project was for the cost of the project manager and architect.</p>
602 1115 Waiver	\$496,000.00	<p>Director Stramecki advised that Riceland Hospital confirmed that the amount of Intergovernmental Transfers ("IGT") for 2018 should be roughly the same as 2017 and the reason the IGTs for the hospital increased in 2017 since the Hospital was able to incorporate the Partial Hospitalization Program.</p>
603A Pharm. Cost	\$79,000.00	<p>This budget line item was raised substantially due to the increased participation in the Indigent Health Care Program. The budget amount was based on the amount spent in 2017.</p>
604 UTMB	\$180,000.00	<p>The amount budgeted for outpatient costs at UTMB was calculated based on the monthly costs in 2017. However, Director Stramecki also cautioned that the amount budgeted may be too high since the healthcare provided in 2017 may be higher than usual due to the fact that the services was new and there may have been a larger demand for procedures.</p>
617 Youth Counselling	\$30,000.00	<p>Starting in 2018, the District's budget calls for \$30,000.00 to be spent on youth counseling services to be provided by Mrs. Stace Farrow, Med, LPC; Child, Adolescent, Family & Individual Counseling Services. As part of the budgeting discussion for youth counselling, the Board and its General Counsel engaged Mrs. Farrow in a conversation</p>

		about some details of program including, number of clients anticipated to be seen, documenting the clients, invoicing, and promotion for the program.
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After the presentation, several of the Board members and members of the audience inquired as to the District’s obligations and the impact reducing expenses for the nursing homes would allow the District to provide further assistance to its residence. Furthermore, the point was made that if the District was not participating in the various versions of the nursing home supplemental payment program, the District would not be able to fund the entire IGT for the Hospital so that that the Hospital could maximize the Uncompensated Care Program, nor would the District be able to provide healthcare assistance to the students attending of the East Chambers Independent School District.

At the end of this discussion, the Board and members of the audience were asked if there were any further questions. There being none, a motion was made at 7:15 p.m. by Director Stramecki to close the public meeting. This motion was seconded by Director Burgess and passed with the unanimous consent of all Board members present.

Immediately thereafter, at 7:16 p.m., President Murrell called the Regular Meeting of the Board of Directors of Winnie Stowell Hospital District to order. 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 members present except Director Espinoza and again, a quorum was established. 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 residents of the District set forth in **Exhibit “C-2”**. 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 November 15, 2016 Regular Meeting. The Board reviewed the minutes and a motion was made by Director Burgess to approve the minutes of the November 15, 2016 Regular Meeting. This motion was seconded by Director Rollo 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) a list of Open Invoices, along with the invoices attached, to be approved by the Board; and 2); a Check Register from November 15, 2017 to December 20, 2017. (*See Exhibit "E-1"*). Included in the list of invoices to be paid was a year to date invoice by the Project Manager, Bob Walker, for the Emergency Room in the amount of \$47,397.16 and the District's architect for \$438.80. Attorney Oxford reminded the Board that the total budget for the Project Manager was \$110,000.00. Therefore, by postponing the project the District only spent approximately 42% of the budgeted amount for the manager.

Concerning the final 2017 Budget, Mr. Sticker reported to the Board this was also discussed by the Finance Committee and the Committee spent a considerable amount of time discussing the necessary amendments to the 2017 Budget. (*See Exhibit "E-2"*). A summary of the recommended amendments is below:

		Budget Amendment 3-December 20, 2017 NH Funds: 4/6 Months of QIPP 1		
		Revised Budget- Sept. 20, 2017	Budget Amendments No. 3	Revised Budget Post Amendment 3
Income				
	410 Other Revenue	\$171,000.00	(\$85,500.00)	\$85,500.00
	Total Income	\$5,770,521.00	(\$85,500.00)	\$5,685,021.00
Expense				
	500 Admin-Administrator Salary	\$48,000.00	\$4,000.00	\$52,000.00
	504 Admin-Administrator's Payroll Taxes	\$4,000.00	\$500.00	\$4,500.00
	505 Admin-Board Bonds	\$100.00	\$100.00	\$200.00
	523 Professional Fees - Legal	\$110,000.00	(\$70,000.00)	\$40,000.00
	560 Admin-Cont Ed, Travel & Seminar	\$10,000.00	(\$5,000.00)	\$5,000.00
	573 Admin-Copier Lease/Contract	\$1,500.00	\$500.00	\$2,000.00
	603A IC-Pharmaceutical Costs	\$73,000.00	\$6,000.00	\$79,000.00
	604 IC-Non Hosp. Costs-UTMB	\$10,000.00	\$30,000.00	\$40,000.00
	605 IC-Office Supplies/Postage	\$1,100.00	\$200.00	\$1,300.00
	606 IC-Pmt to Hosp.-ER	\$200,000.00	(\$115,000.00)	\$85,000.00
	607 IC-Non Hosp. Costs-WSEMS	\$1,350.00	\$39,300.00	\$40,650.00
	611 IC-Indigent Care Director Salary	\$25,000.00	\$2,000.00	\$27,000.00
	615 IC-Software	\$12,000.00	\$708.00	\$12,708.00
	616 IC-Travel	\$500.00	\$50.00	\$550.00
	*634 NH Program-Legal Fees	\$100,000.00	\$150,000.00	\$250,000.00
	Total Expense	\$6,610,329.33	\$43,358.00	\$6,653,687.33
Net Income		(\$839,808.33)		(\$968,666.33)

On the expense side, Mr. Sticker advised that the Board needed to reduce line item 410 because the Board agreed to allow Genesis to pay \$85,500.00 instead of \$171,000.00 as compensation for nursing home operations. By doing this, the total accrued revenue for the year after the amendment was going to be \$5,685,021.00.

As for the expenses, once the changes were made to various line items, the recommendation by the Committee and Mr. Sticker would result in an increase in expenses of \$43,358.00. This increase was mostly due to: 1) an increase in legal fees for nursing home operations; 2) the payment to the Winnie Stowell Emergency Medical Services for repairs to an ambulance; and 3) outpatient services to UTMB. On the other hand, the group recommended cutting the budget for the Emergency Room from \$200,000.00 to \$85,000.00 to cover cost to the District for the architect and the project manager. With this reduction, the District's cost for the Emergency Room went from \$2,000,000.00 in 2017 to a final amount spent of \$85,000.00. In

response to questions about the expenses exceeding revenue, Mr. Sticker explained that most of the expenses for nursing home operations were accrued expenses that have not actually been incurred but had to be reported on an accrued basis for compliance purposes. Mr. Sticker also reminded the Board that the 2018 Budget called for a positive net income of \$77,498.00.

After the discussion regarding the District's finances, a motion was made by Director Burgess to approve the financial reports; outstanding invoices; and amended budget set forth in **Exhibits "E-1" and "E-1"**. This motion was seconded by Director Stramecki with the unanimous approval of all Board members present.

Following the Board's approval of the 2017 final Budget Amendment, President Murrell asked the Board to consider Agenda Item 5, to discuss and take action on adopting a 2018 Budget. President Murrell asked the Board members if there were any questions since the Public Hearing and there were none. He then called for a motion to adopt the budget as presented by at the Public Hearing. (*See Exhibit "D"*). This motion was made by Director Burgess and motion was seconded by Director Stramecki and the 2018 budget, as presented, was unanimously approved by the entire Board members.

Next up for consideration was Agenda Item No. 6, Committee reports. No Committee Chairman had a report and therefore, President Murrell called on staff to present reports pursuant to Agenda Item No. 7. Staff reports were as follows:

- a. **District Administrator:** The District Administrator reported that she had received a request for student loan assistance from the Winnie Community Hospital but because of the timing of the request, she informed the Board that it would have to be considered at the next meeting.
- 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 November 2017. (*See Exhibit "F"*). A summary of the report is as follows:

	November			
# of Clients:	67			
	Billed Amount	Medicaid Rate	% of Services	Actually Paid
Summary by Facility				
Winnie Community Hospital	\$45,563.00	\$18,680.83	51.15%	\$0.00
Pharmacy				
Brookshire Brothers Pharmacy	\$5,098.41	\$4,524.50	12.39%	\$4,524.50
Wilcox Pharmacy	\$1,735.75	\$1,069.17	2.93%	\$1,069.17
Total	\$6,834.16	\$5,593.67	26.26%	\$5,593.67
UTMB				
UTMB Hospital	\$34,254.02	\$9,591.13	26.26%	\$9,591.13
UTMB Physician Services	\$7,473.00	\$2,652.51	7.26%	\$2,652.51
Total	\$41,727.02	\$12,243.64	0.00%	\$12,243.64
Grand Totals	\$94,124.18	\$36,518.14		\$17,837.31
Summary by Service Provided				
Prescription Drugs	\$6,834.16	\$5,593.67	15.32%	\$5,593.67
WCH Clinic	\$7,408.00	\$3,037.28	8.32%	\$0.00
WCH ER	\$12,629.00	\$5,177.89	14.18%	\$0.00
WCH Inpatient	\$0.00	\$0.00	0.00%	\$0.00
WCH Observation	\$0.00	\$0.00	0.00%	\$0.00
WCH Labs	\$8,479.00	\$3,476.39	9.52%	\$0.00
WCH Physical Therapy	\$4,306.00	\$1,765.46	4.83%	\$0.00
WCH Ultrasound	\$6,320.00	\$2,591.20	7.10%	\$0.00
WCH Lab/Xray	\$1,698.00	\$696.18	1.91%	\$0.00
WCH CT Scan	\$0.00	\$0.00	0.00%	\$0.00
WCH Xray	\$4,723.00	\$1,936.43	5.30%	\$0.00
Lab/Xray readings	\$0.00	\$0.00	0.00%	\$0.00
UTMB Outpatient	\$34,254.02	\$9,591.13	26.26%	\$9,591.13
UTMB Anesthesia	\$1,220.00	\$970.00	2.66%	\$970.00
UTMB LAB/XRAY	\$0.00	\$0.00	0.00%	\$0.00
UTMB-Other Services	\$0.00	\$0.00	0.00%	\$0.00
UTMB Physician Services	\$6,253.00	\$1,682.51	4.61%	\$1,682.51
Andres Leonidas	\$0.00	\$0.00	0.00%	\$0.00
Bayside Hospital	\$0.00	\$0.00	0.00%	\$0.00
Grant Totals	\$94,124.18	\$36,518.14		\$17,837.31

- c. **District General Counsel:** This month, Attorney Oxford had a brief report. According to Attorney Oxford, the District's auditor confirmed that the 2016 Audit would be completed and presented at the District's January meeting. (See **Exhibit "G-1"**). In addition, Attorney Oxford presented the Board with invoices for Genesis to be submitted in two (2) monthly installments for administrative expenses reimbursements. (See **Exhibit "G-2"**).
- d. **LTC Report:** None
- e. **Hospital Report:** Mr. Mo Danishmund reported to the Board that Mr. Tahir Javed instructed the Hospital Administration to give any employee making less than \$12.00 per hour a raise to \$12.00 per hour. This was welcome news for the Board who thanked the Hospital personnel at the meeting for their generosity.

Following the staff reports, President Murrell asked the Board to address Agenda Item No. 8, to discuss and take action, if necessary on approving amended Management Agreements with the Managers of the District's Nursing homes. Attorney Oxford asked for permission to discuss this matter and was requested to do so. Per Attorney Oxford, the purpose of the amendments to the Management Agreements is to compensate for changes to the nursing home supplemental payment programs and to account for the Quality Incentive Payment Program ("QIPP"). (See **Exhibit "H-1"**). Most importantly, the amended agreements change the dates and amounts of the incentive payments. (See **Exhibit "H-2" for Payment Schedule found as Exhibit "B" to the Agreement**). Following a review of the Amended Management Agreements, a motion was then made by Director Rollo to authorize President to execute the Amended Management Agreements. 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. 9, to discuss and take action, if necessary, on approving an Amended Document Retention Policy. However, since Director Espinosa was not at the meeting, Attorney Oxford requested that this agenda item tabled because Director Espinosa signature was needed for the Order to Adopt a Document Retention Policy. After this explanation, a motion was made by Director Stramecki to table the adoption of the Amended Document Retention Policy. This motion was seconded by Director Burgess and was approved with the unanimous consent of all Directors present.

Next, President Murrell reminded the Board that at the November 2017 Regular Meeting, the Board approved the Amended Service Agreement with the LTC Group but prior to this meeting, Attorney Oxford raised some concerns with the previously entered into Amended Agreement and asked that the be Board consider Agenda Item 10, to discuss and take action, if

necessary on approving the Second Amended Service Agreement with the LTC Group. Attorney Oxford presented the Board with the Second Amended Service Agreement with the LTC and explained that he was proposing this agreement be executed because it clarifies that the agreement is terminable after one year as was previously discussed and agreed to by all parties. (See **Exhibit “I”**). In addition, Attorney Oxford recommended changing the effective date of the agreement to September 2017. The Board agreed with the changes and then a motion was made by Director Stramecki to approve the Second Amended Service Agreement with the LTC Group. This motion was seconded by Director Rollo and was approved with the unanimous consent of all Directors present.

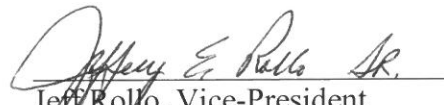
Consequently, President Murrell asked the Board to turn their attention to Agenda Item No. 11, to discuss and take action, if necessary, on acquiring additional nursing homes. Attorney Oxford was called to on address this agenda item. Attorney Oxford explained that the District had been approached to take on six (6) more nursing homes for the second year of the Quality Incentive Payment Program (“QIPP”). (See **Exhibit “J”**). Attorney Oxford suggested to the Board that the addition of new homes is worth considering to offset any 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 explained that if the pool of funds to be used for the QIPP programs remains at \$400,000,000.00 and other governmental entities increase the number of nursing facilities participating, the amount that is available to be paid 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 response, the Board asked that this agenda item be tabled until further information on IGT amounts were calculated but was very interested in prospect of adding the additional six (6) facilities. 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, to discuss and take action, if necessary, on approving youth counseling program. Attorney Oxford asked that this matter be tabled so that he could prepare a Service Agreement and Business Associate Agreement with Mrs. Farrow. Director Rollo then made a motion to 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 January 24th, 2018 at 6:00 p.m. At 8:49 p.m., a motion was made by Director Stramecki 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