

## **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 16th day of May 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 6:02 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; Chris Portner, General Counsel for Winnie Community Hospital; Mr. Tommy Davis, with Durbin & Co., LLC; Mr. Wade Thibodeaux, the Hometown Press; Gloria Roemer, Seabreeze Beacon; 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 April 18, 2018. (See **Exhibit “A”**). The Board reviewed the minutes and a motion was made by Director Stramecki to approve the minutes of the Regular Meeting held on April 18, 2018. This motion was seconded by Director Burgess 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

and Mrs. Norris presented the Board with a Cash and Investment Report as well as: 1) Balance Sheet as of April 30, 2018; 2) Profit & Loss Budget vs. Actual as of April 30, 2018; and 3) the check register for the District's Prosperity Account from April 18, 2018 to May 16, 2018. (*See Exhibit "B"*). Before Mrs. Norris reviewed the cash report and upcoming transactions, Mr. Sticker presented the Balance Sheet as of April 30, 2018 and the Profit & Loss Budget vs. Actual as of April 30, 2018. Mr. Sticker advised that everything was in order and there were no line items in the Profit & Loss Budget that needed to be amended at the time. However, he did state that he anticipated upcoming amendments before the end of the year to account for changes in the Quality Incentive Payment Program ("QIPP") revenue and some corresponding individual line item expenses.

Mr. Sticker then turned over the presentation to Mrs. Norris who discussed the Treasurer's Report and upcoming payment activity from the QIPP program. First, Mrs. Norris stated that the District's net cash available following the payment of \$97,554.71 in invoices was \$2,295,364.57 or \$2,327,045.80, not including the \$65,873.48 in the District's Texnet account because this money was designed for upcoming interest payments.

In regard to the invoices, President Murrell asked Mr. Davis with Durbin & Co., LLC to discuss the 2016 audit invoice for \$47,813.75. In response, Mr. Davis explained that the actual cost of the audit was \$63,000.00 because the auditors had to spend an unexpected amount of time updating journal entries for all the District's nursing homes before they could reconcile the accounts. However, they reduced it to \$47,813.75 so that the cost would be more in line with the \$24,000.00 expected costs in their audit engagement letter and was willing to reduce the \$47,813.75 by an additional \$15,000.00 in credits for the 2017 audit. After Mr. Davis's explanation, the Board discussed extensively how it could avoid this problem in the future and Mr.

Davis volunteered to travel to Austin to meet with the LTC Group to verify that they already had the journal entries and reconciliations for nursing home accounts completed for 2017. Per Mr. Davis, if this were done, he did not foresee any reason the audit could not be completed within three (3) months after the execution of the audit engagement letter and for less than \$24,000.00. The Board then discussed the offer of the \$15,000.00 credit and agreed, if the work was performed, then the auditor needed to be paid for the work. However, it was once again stressed that before the engagement letter for 2017 was signed, the Board wanted confirmation from the auditor that they had the information needed in the proper format.

Thereafter, Mrs. Norris previewed the anticipated upcoming transactions including loan payments, interest payments, and the potential to make an intergovernmental transfer (“IGT”) for Quality Incentive Payment Program (“QIPP”) Year 2, if the State of Texas is able to resolve its differences with the Non-State Owned Governmental Entities (“NSGO”). Mrs. Norris reminded the Board that they had previously authorized this transaction at the April 18, 2018 Regular Meeting for an amount up to \$8,000,000.00.

Upon the completion of the discussion on the District’s financials, cash reports, and upcoming transactions, a motion was made by Director Rollo to approve the District’s financials and expenses, including the Durbin & Co, LLC. Invoice for \$47,813.75. (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:** Administrator Norris requested confirmation from the Board members on who was going to attend the Texas Healthcare Trustees Conference scheduled

for July 26-28, 2018 in Grapevine, Texas. After some discussion, Directors Murrell, Rollo, Stramecki, and Espinosa responded that they would attend.

- b. **District Indigent Care Director:** Mrs. Jiminez reviewed the April 2018 indigent care report. (See **Exhibit “C”**). As part of her review, Mrs. Jiminez highlighted the fact that the UTMB total was at \$44,904.20, which is well below \$180,000.00 budgeted. A summary of the report is as follows:

	April				Year to Date			
# of Clients:	59							
	Billed Amount	Medicaid Rate	% of Services	Actually Paid	Billed Amount	Medicaid Rate	% of Services	Actually Paid
<b>Summary by Facility</b>								
Winnie Community Hospital	\$77,710.00	\$31,883.22	57.75%	\$0.00	\$255,213.00	\$107,177.21	136.39%	\$0.00
<b>Pharmacy</b>								
Brookshire Brothers Pharmacy	\$4,662.01	\$4,046.94	7.33%	\$4,046.94	\$31,199.56	\$27,348.57	42.21%	\$27,348.57
Wilcox Pharmacy	\$1,037.62	\$783.82	1.42%	\$783.82	\$5,469.41	\$3,479.64	4.88%	\$3,479.64
<b>Pharmacy Total</b>	<b>\$5,699.63</b>	<b>\$4,830.76</b>		<b>\$4,830.76</b>	<b>\$36,668.97</b>	<b>\$30,828.21</b>		<b>\$30,828.21</b>
<b>UTMB</b>								
UTMB Hospital	\$24,964.25	\$5,991.42	10.85%	\$5,991.42	\$147,728.48	\$35,454.82	53.37%	\$35,454.82
UTMB Physician Services	\$5,775.00	\$2,055.75	3.72%	\$2,055.75	\$32,752.00	\$9,449.38	13.39%	\$9,449.38
<b>UTMB Total</b>	<b>\$30,739.25</b>	<b>\$8,047.17</b>		<b>\$8,047.17</b>	<b>\$180,480.48</b>	<b>\$44,904.20</b>		<b>\$44,904.20</b>
Youth Counseling	\$1,190.00	\$1,190.00	2.16%	\$1,190.00	\$1,785.00	\$1,785.00	1.08%	\$1,785.00
<b>Grand Totals</b>	<b>\$115,338.88</b>	<b>\$45,951.15</b>		<b>\$14,067.93</b>	<b>\$474,147.45</b>	<b>\$184,694.62</b>		<b>\$77,517.41</b>
<b>Summary by Service Provided</b>								
Prescription Drugs	\$5,699.63	\$4,830.76	8.75%	\$4,830.76	\$36,668.97	\$30,828.21	47.09%	\$30,828.21
WCH Clinic	\$8,227.00	\$3,373.07	6.11%	\$0.00	\$36,408.00	\$14,927.28	20.93%	\$0.00
WCH ER	\$43,399.00	\$17,793.59	32.23%	\$0.00	\$126,806.00	\$51,990.46	61.95%	\$0.00
WCH Inpatient	\$158.00	\$86.90	0.16%	\$0.00	\$18,142.00	\$9,978.10	17.92%	\$0.00
WCH Observation	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
WCH Labs	\$1,044.00	\$428.04	0.78%	\$0.00	\$17,662.00	\$7,241.42	6.19%	\$0.00
WCH Physical Therapy	\$0.00	\$0.00	0.00%	\$0.00	\$5,107.00	\$2,093.87	3.45%	\$0.00
WCH Ultrasound	\$3,776.00	\$1,548.16	2.80%	\$0.00	\$7,056.00	\$2,892.96	1.46%	\$0.00
WCH Lab/Xray	\$15,163.00	\$6,216.83	11.26%	\$0.00	\$25,128.00	\$10,302.48	7.40%	\$0.00
WCH CT Scan	\$4,977.00	\$2,040.57	3.70%	\$0.00	\$7,651.00	\$3,136.91	1.99%	\$0.00
WCH Xray	\$966.00	\$396.06	0.72%	\$0.00	\$8,650.00	\$3,546.50	5.71%	\$0.00
Lab/Xray readings	\$0.00	\$0.00	0.00%	\$0.00	\$2,603.00	\$1,067.23	1.93%	\$0.00
UTMB Outpatient	\$24,964.25	\$5,991.42	10.85%	\$5,991.42	\$147,728.48	\$35,454.82	53.37%	\$29,463.40
UTMB Anesthesia	\$976.00	\$776.00	1.41%	\$776.00	\$2,656.00	\$1,931.00	2.09%	\$1,155.00
UTMB Physician Services	\$4,799.00	\$1,279.75	2.32%	\$1,279.75	\$30,096.00	\$7,518.38	11.30%	\$6,238.63
Youth Counseling	\$1,190.00	\$1,190.00	2.16%	\$1,190.00	\$1,785.00	\$1,785.00	1.08%	\$595.00
<b>Grand Totals</b>	<b>\$115,338.88</b>	<b>\$45,951.15</b>		<b>\$14,067.93</b>	<b>\$474,147.45</b>	<b>\$184,694.62</b>		<b>\$37,452.03</b>

- b. **District General Counsel:** Attorney Oxford reported that he had recently been contacted by the East Chambers Independent School District (“School District”) regarding the renewal of the District’s Interlocal Agreement with the School District to provide Healthcare services to the students of the School District. (See **Exhibit “D”**). Further, Attorney Oxford discussed the premium increase to the School District’s Catastrophe Coverage that is supplemental by the District. In conclusion, Attorney Oxford reported to the Board that he requested School District personnel attend the June 2018 Regular Meeting to provide the District’s Board with an end of the school year update and to request that the agreement be extended for another year.
- c. **LTC Report:** See **Exhibit “E”**.

d. **Hospital Report:** None.

Following the staff reports, President Murrell called on Attorney Oxford to address Agenda Item No. 8, to discuss and take action, if necessary, on authorizing the District's Administrator to serve as the District's election officer for the November 2018 election and to prepare and post all notices orders required by the Texas Elections Code. According to Attorney Oxford, the District had two at-large seats up for election on the November 6, 2018 election. Those seats were currently held by Directors Raul Espinosa and Sharron Burgess. As such, it was time to review the election calendar and to appoint an Election Officer for the District. (*See Exhibit "F"*). During the last two (2) election cycles, Attorney Oxford reminded the Board members that Administrator Norris served as the District's Election officer and did a great job. Therefore, it was his recommendation that the Board appoint the District's administrator serve as the Election Officer for the November 6, 2018 election and order the election. Pursuant to this recommendation, a motion was made by Director Stramecki to appoint the District's Administrator, Mrs. Sherrie Norris, to serve as the District's Election Officer as required by Section 31.123 of the Texas Election Code and order the November 6, 2017 election. (*See Exhibit "F"*). This motion was seconded by Director Burgess 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 authorizing the District's election officer to post Notice of Candidate Filing Deadline. Attorney Oxford continued by explaining that Section 141.040 of the Election code states that the District was obligated to post a Notice of Candidate Filing Deadlines thirty (30) days prior to the first day that a candidate can file for office. In the upcoming November 6, 2018 election, the filing period for candidates to file for office was scheduled to begin on July 21, 2018 and end on August 20, 2018. Therefore, the Notice of Candidate Filing Deadline needed

to be posted inside the hospital by June 21, 2018. (*See Exhibit “G”*). In addition, Attorney Oxford recommended that the District post all election notices on its website. The Board concurred with this recommendation and then Director Stramecki made a motion to authorize the District’s election officer to post Notice of Candidate Filing Deadlines. This motion was seconded by Director Rollo and unanimously approved by all the Commissioners present.

Lastly, President Murrell directed the Board’s attention to Agenda Item No. 11, to discuss and take action, if necessary on amending the amount borrowed for Loan 13 in response to the proposed amendments to Quality Incentive Payment Program rules. Following the introduction of the agenda item, President Murrell asked for Attorney Oxford to give the Board an update on the proposed rule changes to the QIPP Program (“proposed rule”) for year two (2) and to discuss the potential need for increased IGT funding authority. According to Attorney Oxford, the HHSC published the proposed rule changes to the QIPP Program on May 4, 2018 (*See Exhibit “H-1”*). Attorney Oxford also reported that prior to the publishing of the proposed rule changes, Attorney Oxford and President Murrell submitted an e-mail to the Governor’s office and a letter to Mr. Tommy Williams, Special Liaison to HHSC, advising of concerns with the proposed rule changes. (*See Exhibits “H-2” and “H-3”*). Per Attorney Oxford, while the proposed rule increases the pool of QIPP funds available from \$400,000,000.00 to \$625,000,000.00, the correspondence addressed the uncertainties created by the proposed rule that were going to make it difficult to recommend the upcoming IGT on May 31, 2018. The problems addressed were as follows:


- The proposed rule change would not go into effect until after the District was asked to make an IGT that would be subject to the new rules if they became effective in June 2018.
- The proposed rule was going to most likely substantially dilute the QIPP funds available because it reduces the minimum Medicaid daily nursing home rate from 77.89% or more to 62.8% or more to qualify as a private facility not required to be owned by a Non-State Owned Governmental Organizations (“NSGOs”). By dropping the minimum Medicaid rate, over four hundred (400) new homes qualify to participate in the QIPP program as

private facilities that do not make IGTs but keep 100% of their QIPP return funds. By way of reference, in the first year of QIPP, eight-four (84) facilities participated as private facilities.

- Furthermore, of the four hundred (400) homes that would qualify as private homes, two hundred (200) facilities are already owned by NSGOs. The proposed rule gives these facilities the opportunity to opt out of the ownership arrangements with the various NSGOs after NSGOs make the May 31, 2018 IGTs and participate as private nursing facilities that do not have to share the QIPP returns.
- To make matters worse, the District's anticipated IGT for twenty-four (24) nursing facilities on May 31, 2018 was expected to increase from \$7.7 million to \$9.5 million but because of the participating facilities had the right to become private facilities, there was the probable chance that ten (10) of the District's facilities would opt out of its relationship in June 2018 and keep 100% of their supplemental funds. If the District no longer owned these facilities, the facilities would be obligated by the penalty provision in the Management Agreements to ensure the District received its IGT funds, but the District would have to absorb the costs of the excess IGT and receive far less in QIPP funds.

For these reasons, Attorney Oxford recommended that the District make its anticipated IGT for the previously approved amounts only if the proposed rule was withdrawn from consideration. Otherwise, the District needed to reconvene for a special meeting to decide on any IGT request if the proposed rule was not withdrawn from consideration. The Board agreed, and a motion was made by Director Stramecki to: 1) make the IGT on May 31, 2018 as contemplated by the existing rules in the amount set forth during the discussion at the April 18, 2018 Regular Meeting or, in the alternative, 2) if the proposed rule was still pending at the time of the IGT request, the Board needed to convene and reconsider the IGT before it was initiated. This motion was seconded by Director Espinosa and unanimously approved by all the Commissioners.

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 June 20th, 2018 at 6:00 p.m. At 7:22 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~~  
Raul Espinosa, Secretary

  
Jeff Rollo, Vice-President