

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE WINNIE-STOWELL HOSPITAL DISTRICT

The 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 full 72 hours prior to the opening of said meeting for 9:00 a.m. on the 19th of November, 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).

The roll was called of the members of the Board, to wit:

Ed Murrell, President
Anthony Stramecki, Vice-President
Robert “Bobby” Way, Treasurer
Jeff Rollo, Secretary
Raul Espinosa, Director

All said Board members were present except Directors Stramecki and Espinosa. In addition, to the above named Board members, also present at the meeting were: Sherrie Norris, District Administrator; Yani Jiminez, Indigent Care Director; Sherrie Norris, District Administrator; Yani Jimenez, Indigent Care Director; Hubert Oxford, IV, General Counsel for the District; Mr. David Sticker, the District’s CPA; Mr. Tahir Javed, Chief Executive Officer of Riceland; Mr. Saad Javed, Interim Administrator for Riceland Hospital (“Hospital”); Mr. Mo Danishmund, Chief Financial Officer for Hospital; Mr. Chris Portner, Counsel for Riceland; Mr. Greg Gray, Nurse Practitioner for Hospital; Mr. Wade Thibodeaux, the Hometown Press; and Gloria Roemer, Seabreeze Beacon.

President Murrell presided over the meeting at 9:02 a.m. After calling the meeting to order, President Murrell asked for Public Comment. There being none, the Board was then asked to address Agenda Item No. 4, to discuss and take action, if necessary, to approve Intergovernmental Transfer (“IGT”) for QIPP Year 2, Qtrs. 3 and 4. Staff informed the Board that the IGT for this

QIPP period was \$6,342,432.85 and was going to be swept from the District's account at Interbank on November 30, 2018. (See **Exhibit "A"**). In addition, Attorney Oxford advised that the District will need to fund \$2,000,000.00 of this IGT from its line of credit. Therefore, staff recommended the Board approved the IGT for QIPP Year 2, Qtrs. 3 and 4 and to fund the IGT utilizing \$2,000,000.00 from its line of credit at Post Oak Bank so that the District's twenty-four (24) facilities could continue participating in the QIPP program. The Board concurred, and a motion was made by Director Rollo to authorize the IGT of \$6,342,432.85 and to pay for the IGT by using \$2,000,000.00 from the District's line of credit at Post Oak Bank. This motion was seconded by Director Way and unanimously approved by all the Board members present.

After the approval of the IGT for QIPP Year 2, Qtrs. 3 and 4, the Board was asked to consider Agenda Item No. 5, to discuss and take action, if necessary, on approving Loan 14 and the execution of loan documents and interest payment chart and advised the Board of the terms of the loan. According to Attorney Oxford, the loan was for \$4,342,432.85 to be used for nursing home operations including IGTs for the QIPP program. (See **Exhibit "B"**). As with Loan 13, this loan was for a ten (10) month period starting on November 30, 2018 with monthly interest payments of \$60,747.06 or 16.8% and a balloon payment on September 30, 2018. In response to questions about other lending options, Attorney Oxford informed the Board he initiated discussions with a private equity group that specialized in receivables loans but there was not enough time to arrange a loan package prior to the November 30, 2018 deadline. However, following the Holidays, Attorney Oxford informed the Board that he would like to resume his discussions and would keep the Board advised of the progress. President Murrell then called for a motion to approve the loans and a motion was made by Director Rollo to approve Loan 14

documents and authorized the Board President to sign the loan documents. This motion was seconded by Director Way and unanimously approved by all Directors present.

Moving to the IGT for the Uncompensated Care program, President Murrell asked the Board to consider Agenda Item No. 6., to Discuss and take action, if necessary, to approve Intergovernmental Transfer (“IGT”) for the Winnie Community Hospital, LLC to participate in the 1115 Waiver Program-Uncompensated Care. Staff reminded the Board that the District already made two IGTs for Uncompensated Care-DY7 totaling \$428,294.70 and the maximum amount of the third IGT was \$841,338.15. If the District maximized these IGTs for the Uncompensated Care program, the total spent for 2018 would be \$1,269,943.03 even though the District’s budget Uncompensated Care IGTs was \$500,000.00. With this said, Attorney Oxford also explained that the deadline to file an IGT Commitment was 5:00 p.m. of the day of the Special Meeting and therefore, the Board needed to make choice of how much of the \$841,338.15 to commit to making. (See **Exhibit “C-1**). Additionally, he informed the Board that he was told by several individuals with knowledge of the Health and Human Services Commission’s past practices and intentions for this IGT, to expect a “hair cut” in the IGT amount of twenty percent (20%).

In response to questions concerning the basis for having a third IGT and the amount of the IGT compared to previous years, Attorney Oxford explained that the State of Texas held back funds from its second IGT that was approved by the Board in August 2018 to reconcile a problem with its formulas to disburse Uncompensated Care Payments created by several large urban hospitals manipulating the original formula to obtain more funds than originally intended. This change in formula was also a partial cause of the spike in IGTs for the year. Furthermore, he explained that the increase in IGTs and corresponding Uncompensated Care payments was also

due to an increase in services provided at the Hospital, which was going to be addressed by the Hospital.

Before discussing the request for the IGT with the Hospital officials at the meeting, the Board asked for a Cash Report for the year. Mr. Sticker, the District's CPA then handed out a cash report he prepared for the meeting. (See **Exhibit "C-2"**). Per Mr. Sticker, the District's ending cash available balance, before taking into account, any commitments was \$4,657,407.30. Looking forward, he explained that there was a net of \$2,060,016.86 in income and expenses due through February 2019 and if these funds were received and paid, the District's net cash available balance would be \$2,597,390.44. In conclusion, Mr. Sticker advised the Board that it had enough funds to make the total IGT if that is what the Directors choice to do.

In support of its request to make an IGT, Mr. Saad Javed, the Hospital's Interim Administrator, presented the Directors with a PowerPoint presentation he prepared to help the District's Directors have a better understanding of the Hospital's Uncompensated Care calculations and the Hospital's plans for the additional funds if the District agreed to fund the entire amount of the IGT. (See **Exhibit "C-3"**). First and foremost, Mr. Javed explained that the IGT numbers for uncompensated care are based off the healthcare services provided in the previous two years (e.g., 2018 Uncompensated Care payment is based on 2016 services). Therefore, as the Hospital has increased the scope of services provided and the volume of services provided, the amount Uncompensated Care increases. In support of this assertion, the Hospital included a chart in the presentation that compared Uncompensated Care for specific healthcare services provided from 2013-2016. Moreover, the Hospital explained that the basis for this chart was the Medicaid cost report for the respective years. Attorney Oxford intervened and stated that he had reviewed

the cost report for 2016 and verified that the numbers in the chart matched the numbers in the cost report. (See **Exhibit “C-4”**).


After the discussion of the Uncompensated Care calculations and receipt of explanation for the basis of the Uncompensated Care payments, Mr. Javed turned the Board’s attention to the Hospital’s plans to implement the needs assessment performed on behalf of the Hospital in 2016. Mr. Javed stated that if the District agreed to make the IGT, it was the Hospital’s intent to spend the Uncompensated Care payments received on 1) 24/7 emergency room coverage; 2) emergency room equipment improvements; 3) procedure room upgrades; 4) in-patient & X-ray improvements; and 5) EMR upgrades; and 6) psychiatric in-patient unit. He then spent time explaining the Hospital’s goals and plans for implementing each project.

At the conclusion of the Hospital’s presentation, the Board and Hospital engaged in a forthright conversation about the District’s need to see measurable improvement’s in the Hospital’s services and consumer confidence levels. The District’s Directors welcomed the efforts and stressed the importance of staffing the emergency room and purchasing the equipment needed by the doctors. Director Way stated that he has been a volunteer with the Winnie Stowell Emergency Medical Services for twenty (20) years and he believes that hiring qualified doctors to work in the emergency room on a 24/7 is a big step in the right direction but he also felt the emergency room was in dire need of additional equipment in the emergency room because the equipment currently available is not sufficient to enable the doctors to perform their jobs. Moreover, Directors Way expressed to the Hospital that in order to have his support, the District’s Directors must begin receiving monthly reports from the Hospital that would enable the District’s Directors to assess the Hospital’s implementation of the projects discussed earlier; and utilization of the Hospital by District’ residents. The other Board members at the meeting expressed their

support for Director Way's positions and emphasized that moving forward, the District must receive this information on routine basis. In response, Mr. Tahir and Mr. Danishmund agreed to do a better job of providing information to the District and assured the Board that they would provide a draft monthly report at the December 2018 Regular Meeting. With a firm understanding of the District's expectations (i.e., more information and reporting by the Hospital), Director Rollo made a motion to amend the budget to account for the additional IGT funds and to approve the submittal of the IGT Commitment form to pay up to \$841,338.15 for the third IGT of DY7. This motion was seconded by Director Way and approved by all Board members present.

There being no other business, President Murrell reminded the Board that on December 19, 2018 at 5:30 p.m., the District would hold its public hearing on the Budget and then conduct its Regularly Scheduled Board meeting at 6:00 p.m. that same day. At 10:43 a.m., a motion was then made by Director Rollo to adjourn the meeting. This motion was seconded by Director Way, with the unanimous consent of all Board members.


Edward Murrell, President


Jeff Rollo, Vice-President
Anthony Stramecki