

**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 22nd of August, 2019 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 9:08 a.m., the meeting was convened, and 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 less Directors Rollo and Espinosa. In addition, to the above-named Board members, also present at the meeting were: Sherrie Norris, District Administrator; Yani Jimenez, Indigent Care Director; Sherrie Norris, District Administrator; Yani Jimenez, Indigent Care Director; Patricia Ojeda, Indigent Care Coordinator/Administrative Assistant; Hubert Oxford, IV, General Counsel for the District; David Sticker, CPA for the District; Saad Javed, Acting Administrator for Riceland Hospital; Mr. Mo Danishmund, Chief Financial Officer for Hospital; Chris Portner, General Counsel for Riceland Hospital; and Gloria Roemer, Seabreeze Beacon.

President Murrell called the meeting to order and asked those present to recite the Pledge of Allegiance and the Pledge of Allegiance to the State Flag of Texas. He then asked for Public Comment and since there was none, he referred the Board to Agenda Item No. 4, to discuss and take action on reports by staff, the LTC Group and the Hospital. As discussed, the night before,

the Hospital's report was set aside for the Special Meeting and the Hospital representatives were called on to give the report. Speaking first for the Hospital, Mr. Javed distributed the Hospital's monthly report for July 2019 and discussed the highlights of the report. (See **Exhibit "A"**). Mr. Javed was happy to inform the Board of the following: 1) the number of emergency room visits in July were higher than any months since January 2019; 2) the amount of transfers out of the hospital dropped in July to the lowest amount of the year; and 3) most importantly, the average in-patient days went from 1.37 in June to 3.43 in July as predicted by the Hospital during the previous month's Regular Meeting.

Next, President Murrell asked the Board to address Agenda Item No. 5, to discuss and take action, if necessary, on approving the submission of an Intergovernmental Transfer ("IGT") Commitment form on behalf Winnie Community Hospital/Riceland Hospital for the 1115 Waiver Program-Uncompensated Care. Mr. Oxford was asked to provide the Board with some background information concerning the maximum IGT amount and the return to the Hospital in Uncompensated Care payments and to provide the Board with a cash flow analysis for the rest of 2019 as requested the night before. Attorney Oxford started the discussion by refreshing the Board's recollection of the events leading up to the meeting and in so doing, he distributed an August 15, 2019 e-mail received from the State of Texas advising participants in the 1115 Waiver Program-Uncompensated care that the second IGT for DY 8 was coming due. (See **Exhibit "B"**). According to the e-mail, the District, as the IGT sponsor for the Hospital, was asked by the State of Texas to pledge a maximum amount the District was willing to IGT by the end of the day (i.e., August 22, 2019). Furthermore, pursuant to the spreadsheets, prepared by the State of Texas, the maximum IGT that could be made by the District was \$1,519,957.40.

The Board members then engaged Mr. Oxford and the District's CPA in a discussion regarding the amount of money the District could afford to IGT after taking into account available cash on hand, cash flow, and the estimated amount of the final IGT once the State imposed its traditional "haircut" (i.e., reduction). The basis for the questions were to assure that: 1) the District would have sufficient reserves, *without utilizing money available on their line of credit or needing to cash certificates*, after making the IGT; and 2) the amount committed would not impair the District's cash flow for the remainder of the year.

Mr. Oxford and Mr. Sticker first addressed the District's available funds to make the IGT. According to the Mr. Oxford and Mr. Sticker, as of the date of the meeting, the District had \$2,877,036.46 in unrestricted funds available of which \$1,517,250.05 were encumbered because the money was in certificate of deposit or funds available through the District's line of credit. Therefore, the maximum money available for the IGT was \$1,428,064.15, or \$91,893.25 less than the maximum IGT without taking into consideration operating cost for the rest of the year. (See **Exhibit "C"**, August 21, 2019 Treasurer's Report).

With the limited funding in mind, the Board asked Mr. Oxford and Mr. Sticker how much they believed the District was going to be asked to spend for this IGT. Attorney Oxford stated that he estimated the final IGT amount was going to be between \$1,000,000.00 and \$1,370,000.00. To support his assessment, Attorney Oxford distributed an Uncompensated Care Summary that showed the reductions where been between twenty to forty percent (20 to 40%). (See **Exhibit "D"**, Uncompensated Care Summary).

Moreover, the Board was reminded that the cost report for 2016 formed the basis of the DY 7 IGT and Uncompensated Care payments (i.e., District's 2018 fiscal year) and the 2019 amounts were based on the 2017 cost report. Using the 2016 and 2017 cost report pages that were

given to the Board in prior meetings, he prepared an analysis that showed there to be a 16.13% increase in services. (See **Exhibit “E”**). Mr. Oxford stated that he multiplied this percentage increase by the total amount of IGTs for DY 7 (i.e., \$1,004,981.01) and arrived at an estimated total IGT for DY 8 to be \$1,137,236.51. Taking into consideration the \$162,920.28 already IGTs in February 2019, he believed a reasonable low end estimate for the pending IGT request to be roughly \$1,000,000.00.

On the other hand, Mr. Oxford presented the Board with an e-mail string between the Hospital’s accounting department and himself in which they estimated the final IGT amount for the Hospital was going to be between \$1,000,000.00 and \$1,370,000.00. (See **Exhibit “F”**). According to the e-mail, these values were established by applying the State’s formula used in DY 7 to the DY 8 values.

Taking into consideration, the parameters set by the Board and the estimated IGT amounts Mr. Oxford and Mr. Sticker presented the Board with a cash flow sheet for the rest of the year using \$1,200,000.00 as the IGT amount. The analysis presented was as follows:

Date	Transaction	Balances
Aug. 22, 2019	Prosperity Operating	\$699,514.31
Aug. 22, 2019	Interbank (Unrestricted)	\$728,549.84
	<b>Balance</b>	<b>\$1,428,064.15</b>
Aug. 31, 2019	Nursing Home Revenue	\$88,552.64
Aug. 31, 2019	Payment to Managers	(\$44,276.32)
Aug. 31, 2019	Operating Expenses for August	(\$39,727.90)
	<b>Balance</b>	<b>\$1,432,612.57</b>
Sept. 11, 2019	IGT for DY 8	(\$1,200,000.00)
Sept. 15, 2019	Sales Tax Revenue Estimate	\$40,000.00
Sept. 31, 2019	Operating Expenses for September	(\$45,000.00)
	<b>Balance</b>	<b>\$227,612.57</b>
Oct. 15, 2019	Sales Tax Revenue Estimate	\$40,000.00
Oct. 31, 2019	Nursing Home Revenue	\$2,532,152.83
Oct. 31, 2019	Payment to Managers	(\$1,039,534.50)
Oct. 31, 2019	LTC Group Payment	(\$410,400.00)
Oct. 31, 2019	Operating Expenses for October	(\$45,000.00)
	<b>Balance</b>	<b>\$1,304,830.90</b>
Nov. 15, 2019	Prepay Interest for Loan 16	(\$357,915.44)
Nov. 15, 2019	Sales Tax Revenue Estimate	\$40,000.00
Nov. 31, 2019	Interest for Loan 15 (Not Prepaid)	(\$99,583.09)
Nov. 31, 2019	Operating Expenses for November	(\$45,000.00)
	<b>Balance</b>	<b>\$842,332.37</b>
Dec. 15, 2019	Sales Tax Revenue Estimate	\$40,000.00
Dec. 31, 2019	Interest for Loan 15 (Not Prepaid)	(\$99,583.09)
Dec. 31, 2019	Operating Expenses for December	(\$45,000.00)
	<b>Balance</b>	<b>\$737,749.28</b>

Using these cash flow assumptions, Mr. Oxford and Mr. Sticker advised the Board that they were comfortable recommending the approval of an IGT of up to \$1,200,000.00. If the Board approved a maximum IGT commitment during the meeting, this would leave at least \$737,749.28 in the unrestricted and unencumbered funds available at the end of the year and, in the interim, not interfere with the normal business operations.

At the conclusion of the discussion on the District's finances, funds available to IGT, and estimated an IGT amount, several Board members and staff addressed concerns raised about the legitimacy of the Hospital's cost report numbers that form the basis of the State's calculations for the Uncompensated Care funds received by the Hospital and corresponding IGT made by the Hospital District. The Board explained that because of the questions raised, they felt they had a duty to the residents of the District to be good stewards of the public's funds and if the District was going to make an IGT for the Hospital to participate in the 1115 Waiver Program for Uncompensated Care, the Board believed they needed assurances that the amounts reported by the Hospital in their cost reports were accurate and made in accordance with the rules set forth by the Centers for Medicare and Medicaid Services ("CMS").

The Hospital responded that they were aware of the concerns and disclosed to the Board that they received a notice from Novitas, a Medicare Administrator Contractor ("MAC") dated August 5, 2019 that the Hospital was scheduled for an in-house audit of the Medicare cost report for the fiscal year ending December 31, 2017 (i.e., DY 8). The major area being audited is Medicare Bad Debts. (*See Exhibit "G"*).

By way of background, the Medicare program requires that beneficiaries (patients) share in defraying the costs of inpatient care through various deductible and coinsurance amounts. . Bad debts resulting from Medicare deductible and coinsurance amounts that are uncollectible from

patients can be reimbursed to a hospital if the bad debts meet Medicare reimbursement criteria. Therefore, the purpose of the audit by Novitas is to confirm that the Hospital met the Medicare reimbursement criteria.

Because of the concerns raised by the District and after receiving the audit request by Novitas, the Hospital engaged Discovery Healthcare Consulting Group (“Discovery”) to audit the 2017 cost report and to respond to any request for information by Novitas. By way of background, Discovery prepared the Hospital’s cost report for 2017 and therefore, they were in the best position to assist the Hospital respond to request for information by Novitas.

Additionally, Discovery Healthcare provided the Hospital with a memorandum dated August 19, 2019 that states they do not foresee any material adjustments to the 2017 cost report that need to be made based on their prior review of the supporting information or scope of the audit. Put otherwise, Discovery anticipates that the bad debts included in 2017 cost report met the Medicare reimbursement criteria. Likewise, the memo states


We can confirm . . .that the uncompensated care charges for fiscal year 2017 on the cost report do not include any deductibles and coinsurance from Medicare, Medicaid, or any other private insurers. That is, any failure to collect deductibles and coinsurance from any specific payor did not impact the uncompensated care supplemental payments eligibility resulting from the Hospital’s 2017 Cost Report.

(See Exhibit “H”).

The Board thanked the Hospital for their efforts to address the concerns and appreciated the sharing of this information. The Directors then verified that the Hospital understood the limited source of funds but also expressed that they were reasonably certain that if the District approved the \$1,200,000.00 IGT, the Hospital will still be able to maximize the Uncompensated Care payment. The Hospital expressed their gratitude and stated that they look forward to using the payments on improvements to the facility, increased staffing, and buying addition equipment.

Thereafter, a motion was made by Director Way to approve staff to prepare and file the necessary document reflecting that the District was going to make an IGT on behalf of the Hospital of up to \$1,200,000.00. This motion was seconded by Director Stamecki and unanimously approved by all Directors present.

After discussing the Agenda Items and there being no other business, President Murrell reminded the Board that the next Regularly Scheduled Board meeting was September 18, 2019. Subsequently, at 10:23 a.m., a motion was then made by Director Way to adjourn the meeting. This motion was seconded by Director Stramecki, with the unanimous consent of all Board members.

  
Edward Murrell, President

  
Anthony Stramecki, Vice-President