

**MINUTES FOR THE REGULAR 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 6:00 p.m. October 16th, 2019 at the Chambers County Annex Building, 211 Broadway Ave, Winnie, Texas 77665 (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
Anthony Stramecki, Vice-President
Robert “Bobby” Way, Treasurer
Jeff Rollo, Secretary
Raul Espinosa, Director

All said Board members were present less Director Espinosa. In addition, to the above-named Board members, also present at the meeting were: Sherrie Norris, District Administrator; Patricia Ojeda, Indigent Care Director/Administrative Assistant; David Sticker, District CPA; Hubert Oxford, IV, General Counsel for the District; Saad Javed, Acting Administrator for Riceland Hospital (“Hospital”); Mr. Mo Danishmund, Chief Financial Officer for Hospital; Chris Portner, General Counsel for Riceland Hospital; Mr. Wade Thibodeaux, the Hometown Press; and Gloria Roemer, Seabreeze Beacon.

After the introduction of the guest, President Murrell called on 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 review and approve the minutes of the September 18, 2019 Regular Meeting; and October 2, 2019

Special Meeting. The minutes were examined by the Board and no changes were recommended. Therefore, Director Stramecki made a motion to approve the minutes of the September 18, 2019 Regular Meeting; and October 2, 2019 Special Meeting. This motion was seconded by Director Rollo with the unanimous consent of all Board members.

Next, President Murrell asked the Board to address Agenda No. 5, to review and approve financial reports; payment of invoices, and amend budget, if necessary. David Sticker, the District's CPA, first reviewed the District financial reports, Balance Sheet and Cash Flow, through September 30, 2019. (*See Exhibit "A-1"*). Mr. Sticker conveyed that the Balance Sheet was in order but recommended that the District amend its budget for the first time of the year so that the actual income and expenses corresponded with the budget. He then presented the Board with proposed budget amendments. (*See Exhibit "A-2"*). According to Mr. Sticker, the District needed to increase its revenue by \$170,000.00 to account for the unexpected sales tax revenue received from the State's audit of various energy companies in the area and to reduce investment income from \$46,000.00 to \$18,000.00. On the expense side, the District needed to increase its expenses by \$850,093.88, mostly due to the Intergovernmental Transfer ("IGT") for the Hospital's participation in the 1115 Waiver program. In particular, the District initially budgeted \$500,000.00 for the 1115 Waiver IGT but the total cost for the year ended up at \$1,338,165.66. Therefore, an amendment of \$838,165.66 was needed. In addition, he recommended a number of smaller amendments, mostly to reflect the projected actual cost or to move money from one line item to a different line item (e.g. 523-Prof Fees-Legal reduced by \$40,000.00 but shifted to 634 NH-Legal Fees).

Thereafter, Attorney Oxford discussed the Treasurer's Report, check register, and outstanding invoices to be considered. (*See Exhibit "A-3"*). Initially, Attorney Oxford asked the

Board to review the invoices to be paid. Once the Board completed their review, he referred the Board to the funds available section of the report and explained that that the District had \$3,828,728.60 in funds available after the payment of the \$89,159.78 in expenses. Attorney Oxford reminded the Board that the reason their cash available was so high, was because the District had repaid its line of credit and had \$2,686,979.39 available. However, informed the Board that in December 2019, the District would use \$2,000,000.00 of the line of credit to assist with the upcoming QIPP Year 3, IGT for Quarters 3 and 4.

In addition, Attorney Oxford spent time reviewing the cash flow for the rest of the year and the upcoming revenue and expenses expected to be incurred before the November 2019 Regular Meeting. In regard to the cash flow, Attorney Oxford explained that the cash flow being monitored was the cash available in the District's checking account, not CDs or any unused line of credit funds available because he presumed the Board members wanted these funds to be restricted. As such, Attorney Oxford advised the estimated actual balance in the District's Prosperity account at the end of the year was higher than expected thanks to the extra sales tax revenue accounted for in the amended budget and better than expected QIPP Year 2 Component 2, 3, and lapsing funds. Instead of \$737,749.28 that was originally expected, the new forecasted balance in the Prosperity Bank account for the end of the year was \$1,000,263.89. Looking forward, Attorney Oxford reported that the QIPP Year 2, Qtr. 4 Component 2, 3, and Lapsing funds were being received as well as QIPP Year 3, September 2019 Component 1 and 2 payments. In addition, the District was receiving funds for Year 2 Component 1 waterfall payments that need to be distributed. After all the funds were accounted for and reconciled, staff needed to make incentive payments to the Managers and other expenses related to the nursing facilities.

At the completion of the discussion concerning the financials, a motion was made by Director Stramecki to approve the financials for September 2019, the October 16, 2019 Treasurer's Reports, invoices to be paid and amend the budget as suggested by the District's CPA. (See Exhibits "A-1", "A-2" and "A-3". This motion was seconded by Director Rollo and unanimously approved by all Board members.

President Murrell then asked the Board to return to Agenda Item No. 6, Committee Reports. President Murrell called the Committee Chairpersons to provide any reports. There were no reports given expect President Murrell asked that the Building Committee be placed on the agenda for next month and any items that needed to be discussed by the Committee would be discussed later in the meeting.

President Murrell turned to Agenda Item No. 7 so that staff could provide their reports. The reports provided were as follows:

- a. **Administrator's Report:** Mrs. Norris reminded the Personnel Committee that they needed to meet before the next meeting to perform an assessment on Mrs. Ojeda performance at work.
- b. **District Indigent Care Director:** Mrs. Ojeda presented the District's monthly indigent care reports for September 2019 and discussed various aspects of the summary set forth below. (See Exhibit "B"). According to Mrs. Ojeda, the report reflects a substantial increase in cost for UTMB in September because this month's UTMB invoice included two surgeries and she re-assigned a third surgery by UTMB that had incorrectly been posted to the Hospital's account. Mrs. Ojeda also advised that she expected another round of higher than usual invoices because of additional surgeries that were scheduled.

	September				Year to Date			
	91							
Clients:	91							
Children Counseled:	11							
	Billed Amount	Medicaid Rate	% of Services	Actually Paid	Billed Amount	Medicaid Rate	% of Services	Actually Paid
Summary by Facility								
Winnie Community Hospital	\$37,279.18	\$15,284.46	17.63%	\$0.00	\$672,045.10	\$275,628.49	1.60%	\$0.00
Pharmacy								
Brookshire Brothers Pharmacy Corp	\$10,639.00	\$8,912.00	10.28%	\$8,912.00	\$77,492.43	\$69,067.75	12.93%	\$69,067.75
Brookshire Brothers Pharmacy Med	\$11.45	\$11.45	0.01%	\$11.45	\$109.75	\$8.50	0.00%	\$109.75
Wilcox Pharmacy	\$1,961.16	\$1,465.18	1.69%	\$1,465.18	\$22,191.75	\$14,719.63	2.76%	\$14,719.63
Pharmacy Total	\$12,611.61	\$10,388.63	11.98%	\$10,388.63	\$99,793.93	\$83,795.88	15.69%	\$83,897.13
UTMB								
UTMB Hospital	\$169,119.80	\$55,372.52	63.87%	\$55,372.52	\$485,411.39	\$148,701.97	27.84%	\$148,701.97
UTMB Physician Services	\$19,303.00	\$5,231.50	6.03%	\$5,231.50	\$81,855.00	\$25,136.83	4.71%	\$25,136.83
UTMB Total	\$188,422.80	\$60,604.02	69.90%	\$60,604.02	\$567,266.39	\$173,838.80	32.54%	\$173,838.80
Youth Counseling	\$425.00	\$425.00	0.49%	\$425.00	\$935.00	\$935.00	0.18%	\$935.00
Grand Totals	\$238,738.59	\$86,702.11	100.00%	\$71,417.65	\$1,340,040.42	\$534,198.17		\$258,670.93

Summary by Service Provided

Prescription Drugs	\$12,611.61	\$10,389.42	11.98%	\$10,389.42	\$160,514.73	\$108,883.45	19.47%	\$108,883.45
WCH Clinic	\$13,693.00	\$5,614.13	6.48%	\$0.00	\$95,569.12	\$39,183.35	7.01%	\$0.00
WCH Observation	\$137.00	\$56.17	0.06%	\$0.00	\$60,408.00	\$24,767.28	4.43%	\$0.00
WCH ER	\$8,362.00	\$3,428.42	3.95%	\$0.00	\$227,580.00	\$93,307.80	16.69%	\$0.00
WCH Lab/Xray	\$6,648.00	\$2,725.68	3.14%	\$0.00	\$104,168.00	\$42,708.88	7.64%	\$0.00
WCH Labs	\$5,121.00	\$2,099.61	2.42%	\$0.00	\$58,024.00	\$23,789.84	4.25%	\$0.00
WCH Xray	\$978.00	\$400.98	0.46%	\$0.00	\$46,470.80	\$19,053.02	3.41%	\$0.00
WCH Inpatient	\$0.00	\$0.00	0.00%	\$0.00	\$52,855.65	\$19,556.59	3.50%	\$0.00
WCH Outpatient Surgery	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	0.00%	\$0.00
WCH Physical Therapy	\$0.00	\$0.00	0.00%	\$0.00	\$27,745.00	\$11,375.45	2.03%	\$0.00
WCH Ultrasound	\$0.00	\$0.00	0.00%	\$0.00	\$8,907.00	\$3,651.87	0.65%	\$0.00
WCH CT Scan	\$0.00	\$0.00	0.00%	\$0.00	\$19,339.00	\$7,928.99	1.42%	\$0.00
WCH Optical Specialist	\$0.00	\$0.00	0.00%	\$0.00	\$2,920.00	\$1,197.20	0.21%	\$0.00
UTMB Physician Services	\$17,367.00	\$3,892.96	4.49%	\$3,892.96	\$71,565.00	\$18,843.88	3.37%	\$18,843.88
UTMB Anesthesia	\$1,936.00	\$1,338.54	1.54%	\$1,338.54	\$10,290.00	\$6,292.95	1.13%	\$6,292.95
UTMB In-Patient	\$101,852.99	\$38,742.72	44.68%	\$38,742.72	\$101,852.99	\$38,742.72	6.93%	\$38,742.72
UTMB Outpatient	\$49,996.81	\$13,090.44	15.10%	\$13,090.44	\$313,432.75	\$86,863.30	15.53%	\$86,863.30
UTMB Lab&Xray	\$17,270.00	\$3,539.36	4.08%	\$0.00	\$17,270.00	\$3,539.36	0.63%	\$0.00
Youth Counseling	\$425.00	\$425.00	0.49%	\$425.00	\$935.00	\$935.00	0.17%	\$0.00
Lab/Xray readings for WCH	\$2,340.18	\$959.47	1.11%	\$0.00	\$20,914.18	\$8,574.81	1.53%	\$0.00
Grand Totals	\$238,738.59	\$86,702.90	100.00%	\$67,879.08	\$1,400,761.22	\$559,195.74		\$259,626.30

c. **District General Counsel:** Attorney Oxford advised that he had nothing to report but would need to discuss some of the action items being considered later in the agenda.

d. **LTC Report:** Attorney Oxford referred the Board to the LTC Executive Report submitted for September 2019. (See Exhibit "C").

e. **Hospital Report:** Mr. Javed distributed the Hospital's monthly report for September 2019 and discussed the highlights of the report. (See Exhibit "D"). Before reviewing their report, Mr. Javed followed up on the discussion from the Special Meeting regarding the damage sustained by the Hospital from Tropical Storm Imelda ("TS Imelda"). Mr. Javed stated that the Hospital

was on schedule to be operational at the end of October 2019 subject to approval by the Texas Health and Human Services Commission. In addition, he stated that engineers were still inspecting the X-Ray machine to determine if it was damaged and the Hospital was still waiting to hear on the status of the CT Machine. Otherwise, Mr. Saad reported monthly statistics that went down from August because of the storm. In particular, the number of emergency visits dropped to 185 in September from 202 in August; conversion to inpatients went from seventeen (17) to four (4); and the average inpatient days dropped to 2.33 in September from a yearly high of 3.29 in August.

Once all the staff reports were presented, President Murrell moved to Agenda Item No. 8., to discuss and take action, if necessary, on authorizing the Board President to execute a conflict of interest waiver for the Underwood Law Firm to perform legal services on behalf of Marshall Manor. President Murrell called on Attorney Oxford to explain. Attorney Oxford referred the Board to an October 11, 2019 e-mail sent to the Board by himself that explained the underlying issue at Marshall Manor and the resulting fine. (*See Exhibit "E-1"*). In addition, Attorney Oxford reviewed the proposed conflict of interest waiver for the Underwood Law Firm and explained the need for Caring Healthcare to hire Gavin Gadberry, with the Underwood Law firm, granting permission to represent Marshall Manor before the Texas Health and Human Services Commission ("HHSC") to seek a reduction in the fine. (*See Exhibit "E-2" for Conflicts Waiver Letter and Correspondence from HHSC*). Attorney Oxford continued by advising the Board that the waiver was necessary because Mr. Gadberry, and his firm, represent other Managers with homes owned by the District. Mr. Oxford was then asked questions by the Board members concerning the fine issued and he explained that in the past, the fines were no more than \$25,000.00 compared to the nearly \$500,000.00 in fines by the State of Texas and CMS for this facility. In support of the facility, Mr. Oxford presented the Board members with the CMS Five Star report that shows the

facility as a Five Star facility and he told the Board that Marshall Manor was a high achiever in the QIPP program. At the end of the discussion, Director Way made a motion to authorize the execution of the Conflict of Interest Waiver for the Underwood Law Firm to perform legal services on behalf of Marshall Manor involving the fine set forth in the September 17, 2019 letter from HHSC. This motion seconded by Director Stramecki unanimously approved by all the Board members present.

Subsequently, the Board was directed to Agenda Item No. 9, to discuss and take action, if necessary, on considering the acquisition of the Willowbrook Nursing Facility in Nacogdoches, Texas. Again, Attorney Oxford was asked to discuss. Attorney Oxford presented the Board with a number of documents in order to assist with the decision to acquire the facility. In particular, he gave the Board a pro-forma statement showing the potential QIPP payments for the facility; the CMS Five Star report for Willowbrook; and a comprehensive Rate of Return sheet for all of the facilities to put Willowbrook into perspective. (See Exhibit "F"). Attorney Oxford stated that the facility was being purchased by HMG and given HMG's track record in the QIPP program, he was confident that the Manager would be successful in achieving QIPP metrics for the following reasons: 1) HMGs track record; and 2) the facility has been underachieving and relatively small improvements will satisfy the QIPP metrics. In addition, Attorney Oxford stated that the estimates in the pro-forma were based on a seventy-five (75) percent achievement rating and he believed that was an achievement rate that could be easily achieved. When the discussion over the purchase was complete, Director Stramecki made a motion to acquire the facility and begin the CHOW process on the same terms as the District's other HMG facilities. Director Stramecki's motion was seconded by Director Rollo and unanimously approved by all the Directors present.

President Murrell then moved to Agenda Item No.10, to discuss and take action, if necessary, on approving a revised agreement with the University of Texas at Galveston Medical Branch. Since the District had not received a copy of the Agreement before the meeting, a motion was made by Director Stramecki to table the agenda item. This motion was seconded by Director Rollo and unanimously approved by all the Board members present.

Consequently, the Board was asked to address Agenda Item No. 11, to discuss and take action, if necessary, on approving property lease agreement with Riceland Hospital to be used for the District's principle place of business. President Murrell reported that he has met with Mr. Tahir Javed, Chief Executive Officer of Riceland Hospital, and was happy to announce that Mr. Javed agreed to allow the District to lease the piece of property on the northwest corner of the Hospital's campus. (*See Exhibit "G"-Survey of property*). Further, Mr. Murrell stated that Mr. Javed was flexible with lease terms but asked that the lease include a provision that if the Hospital ever needed the property, the Hospital would pay to relocate the District's facilities to another piece of property. Likewise, Mr. Murrell reported that if the District were to relocate on its own choosing, the District would pay to restore the property to its original condition. Lastly, the Hospital requested to be consulted with any building purchased by the District and any improvement on the property. In response, the Board discussed the need to pay fair market value for the monthly lease and suggested hiring an appraiser to appraise the property and attempt to provide a fair market value lease payment. Attorney Oxford stated that he had already discussed the need for appraisal with Hall Appraisal Company who said they could have an appraisal completed by the end of October 2019. He also advised that he received a quote of \$750.00 to perform the work by Hall Appraisal Company. Furthermore, Attorney Oxford stated that he would prepare a draft lease and circulate to the Building Committee for review. The Board conveyed

their appreciation to the Hospital representatives for the offer. Director Stramecki then made a motion instructing Attorney Oxford to prepare a proposed lease and to engage Hall Appraisal Company to perform a fair market value appraisal of the property and potential lease.

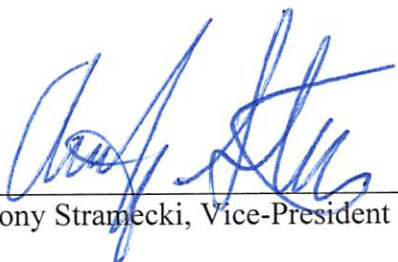
Turning the final action item, Agenda Item No. 12 to discuss and take action, if necessary, on considering and approving proposals for the preparation and acquisition of a modular building to serve as the District's principle place of business pursuant to Texas Local Government Code §§ 271.056(1) & (2), President Murrell called on Director Stramecki to discuss the four proposals he received for a portable building to be purchased by the District to serve as its office. Before Director Stramecki presented the proposals, Attorney Oxford intervened and referred the Board to an e-mail sent on September 26, 2019 in which he advised that the Board could purchase a building over \$50,000.00 without satisfying the advertisement requirements set forth in Chapter 271 of the Government Code because certain subsections in Section 271.056 apply. (See **Exhibit "H-1"**). Specifically, he referred to: 1) a case of public calamity if it is necessary to act promptly to relieve the necessity of the residents or to preserve the property of the issuer; or 2) a case in which it is necessary to preserve or protect the public health of the residents of the issuer. However, Attorney Oxford stated that it was still necessary to receive at least three (3) bids.

When Attorney Oxford completed his discussion on the statutory competitive bidding requirements, Director Stramecki distributed four (4) bids for modular buildings and discussed the pros and cons of each proposal. (See **Exhibit "H-2"**). The Board spent a considerable amount of time reviewing the building proposals and after weighing: 1) cost; 2) quality of construction; 3) materials used to build the facility; 4) cost of accessories supplied by the bidders such as handicap ramps; and 5) the ability to certify a facility with Texas Windstorm, Director Stramecki and President Murrell recommended the Board to accept the proposal by Precision Structures, Inc. Per

the proposal, the cost of the facility was \$81,519.00 plus \$1,180.00 to transport the facility; \$4,435.00 to set up and anchor the facility; \$9,879.00 to build ADA ramp; and \$3,520.00 for skirting. In addition, the Board discussed the need to receive bids to build a pad site; to arrange for utilities; and seek a building permit from Chambers County. At the end of discussion, a motion was made by Director Way to accept the proposal by Precision Structures, Inc. subject to the approval of a lease with the Hospital and verification that the building can be windstorm certified.

President Murrell then called for any other such matters before the Board. There being none, the President Murrell discussed the date for the upcoming meeting, and it was agreed to hold the meeting on November 20, 2019, at 6:00 p.m. at the District's temporary offices on SH 124. Thereafter, at 8:33 p.m., a motion was made by Director Stramecki to adjourn the meeting. This motion was seconded by Director Way and unanimously approved by all the Board members present.


Edward Murrell, President


Anthony Stramecki, Vice-President