

**MINUTES OF 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 6:30 p.m. on the 18th day of February 2015, at the Winnie Community 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:

Elroy Henry, Chair  
Jeff Rollo, Vice-Chair  
Ed Murrell, Secretary  
Sharron Burgess, Director  
Raul Espinosa, Director

All said Board members were present. In addition, to the above named Board members, also present at the meeting was: Sherrie Norris, District Administrator; Hubert Oxford, IV, District Attorney; Mary Ellen Robertson, District CPA; and a number of interested citizens listed on **Exhibit “A”**.

At approximately 6:30 p.m., a quorum was established and Chairman Henry made introductions which were followed by a request for public comment. There being no public comment, Chairman Henry asked the Board to consider and take action on Agenda Item No. 3, to review and approve minutes of the following meetings:

- January 14th, 2015-Regular Board meeting;
- January 29<sup>th</sup>, 2015-Special Board meeting;
- February 9<sup>th</sup>, 2015-Special Board meeting; and
- February 11, 2015-Special Board meeting.

After a review of the all the minutes, Director Rollo made a motion to accept the minutes as drafted for the January 14, 2015 Regular Board meeting; the January 29, 2015 Special Board

Meeting; the February 9, 2015 Special Board Meeting; and the February 11, 2015 Special Board meeting. This motion was seconded by Director Burgess and passed with the unanimous consent of all Board members.

The Board was then asked to move to Agenda Item No. 5, to discuss and possibly take action, if necessary, on renewing the District's CPA's Engagement Letter. According to Mary Ellen Robertson, the District's CPA, her initial agreement with the District expired on December 31, 2014 and she requested that the Board approve her new agreement dated December 14, 2014 attached hereto as **Exhibit "B"**. Like this previous agreement, this agreement is for a term of one year for an estimated rate of \$625.00 per month plus out of pocket and travel expenses. In exchange, the retainer covers the cost to do monthly financial statements; monthly payroll; general ledger; one Board meeting per quarter. Moreover, Mrs. Robertson reserved the right to bill by the hour should she be asked to do considerable addition work, which she reports that she has been doing since July of 2014 because of her involvement on behalf of the District with the District's ownership of thirteen (13) Nursing Homes. Following Mrs. Robertson's explanation of the Agreement, Director Murrell made a motion to approve the CPA's Engagement Letter. This motion was seconded by Director Espinoza with the unanimous consent of all Board members.

The Board then moved to Agenda Item No. 6, to consider and take action on approving a Quality Incentive Fee Policy for Managers of Nursing Homes. Chairman Henry then requested that Attorney Oxford explain this agenda item. Attorney Oxford reminded the Board that the District entered into Management Agreement with two sets of operators (i.e., Skilled Nursing Facilities and Caring Healthcare Nursing Facilities) to manage the District's thirteen (13) nursing facilities. As part of the compensation to the Managers, the District agreed to pay the Managers

a Quality Incentive Fee pursuant to Section 5.1.3 of each agreement which equals to ten per cent (10%) of the Net Operating Income. Specifically, per Exhibit A to each Management Agreement:

The goal of the Quality Incentive Fee is to identify criteria based outcomes for Hospital District to reward Manager for high performance, the provision of quality care, and improvements to the Facility's care delivery systems. The Quality Incentive Fee will be paid to Manager on a quarterly basis for substantial progress toward the achievement by Manager of the goals that are established and documented cooperatively by a quality committee composed of representative(s) from Hospital District and Manager each Fiscal Year. Each calendar quarter, the quality committee shall determine Manager's performance towards achieving the goals during the prior calendar quarter prior to the payment of the Quality Incentive Fee. The Quality Incentive Fee shall be earned by satisfying the goals established by the quality committee or by Manager's substantial progress towards achieving such goals. Any unearned Quality Incentive Fee amounts shall be carried over and may be earned by Manager in any subsequent quarter during the Term of this Agreement.

Therefore, Attorney Oxford explained that the District needed to adopt a Quality Incentive Fee Policy to set forth the criteria to determine whether the Managers shall get paid this 10% of the Net Operating Income. As such, he recommended the Proposed Policy as set forth in **Exhibit "C"**, that calls for Substantial Compliance if each facility does one of the following:

- has not committed violations of nursing home regulations and state or federal survey requirements involving substandard quality of care, as that term is defined under Health Care Laws;
- achieves substantial compliance with any substandard quality of care survey allegations by state or federal surveyors within 180 days after being found out of substantial compliance by Texas Department of Disability Services ("DADS") or CMS; or
- any substandard quality of care non-compliance findings or allegations by DADS or CMS involving state or federal survey requirements are either overturned or remain unresolved and contested through appeals filed by Manager through applicable legal and/or regulatory appeals processes.

Moreover, Attorney Oxford reported that he spent a considerable amount of time on conference calls with representatives of Caring Healthcare, who reviewed the online reports by DADS and the two agreed that per the proposed policy, all of the District's facilities were in compliance with the proposed policy. Following this explanation, a motion was made by Director Rollo to approve the Quality Incentive Fee Policy set forth in **Exhibit "C"**. This motion was seconded by Espinoza and approved by all Board members with the exception of Director Burgess who voted against the motion.

The Board was then asked to consider and possibly take action on Agenda Item No. 7, Discuss and take action, if necessary, on approving agreement with the Winnie Community Hospital to provide care to the indigent. This agenda item was tabled because it was reported by Attorney Oxford that the substitute agreement between the Winnie Community Hospital and the District to fund indigent care has not been finalized yet.

Next, the Board considered Agenda Item No. 8, to discuss and take action; if necessary, on approving amendments to the Winnie Stowell Indigent Health Care Policy and Procedures Statement ("Statement"). Initially, no action was taken when the Agenda Item was introduced but prior to being tabled, Attorney Oxford spent a considerable amount of time reviewing the proposed policy and changes he suggested to the proposed Indigent Policy Statement that he had re-drafted with the assistance of Connie Berry, Texas Department of State Health Services, and Jessica Laskoskie with the Chambers County Indigent Care Department as set forth **Exhibits "D-1"** or **"D-2"**. Attorney Oxford explained the need to have two proposed Policy Statements accounted for whether the District had to accept illegal residents into the District's Program or not and explained, in short, it was his belief that the Attorney General Opinion from Greg Abbott in 2004, GA- 2004, clarified that Section 285.201 of the Texas Health and Safety Code allows

hospital districts, at their own discretion, to provide non-emergency public health services to undocumented persons. Therefore, one version of the Statement presented by Attorney Oxford did not have any citizenship restrictions for illegal aliens while the other version continued the alien restrictions with the following exceptions:

1. A sponsored alien: A "sponsored alien" means a person who has been lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act (8 U.S.C. Section 1101 et seq.) and who, as a condition of admission, was sponsored by a person who executed an affidavit of support on behalf of the person. See Tex. Health & Safety Code Section 61.008(c).
2. Documented Alien: A documented alien that has a green card and has had the status for at least five (5) years from their legal entry date into the United State.
3. Legally Admitted Alien: An alien legally admitted for permanent resident who is:
  - a. An honorably discharged U.S. Veteran, or
  - b. U.S. active duty military personnel, or the spouse, or
  - c. Minor unmarried and dependent child of an honorably discharged U.S. Veteran or U.S. active duty military personnel.

The Board then followed up with several questions concerning the proposal in the Statement to provide three medications per month regardless of the price of the medication, excluding experimental or cancer medications. There was a concern that the cost associated with having an unlimited cap on the cost associated with medication. Since the Hospital's Nurse Practitioner, Danny Thompson, was in the audience and he was the person prescribing the medications, he was asked about the whether there were any medications that prescribed to the District's indigent that were excessively costly. Mr. Thompson confirmed that historically, the medications commonly prescribed for such things as high blood pressure, cholesterol, acid reflux, etc. In addition, Attorney Oxford explained the proposed Statement allows the District to cover up to \$150.00 in medications if the cost of the three medications is less than \$150.00.

After the discussion on the Indigent Policy Statement, Chairman Henry addressed Agenda No. 9, to discuss and take action on the status of applications for the Indigent Health Care Coordinator's Job Description. No action was taken on this agenda item but it was reported that the District had received two applications to date and there was the need to fill this position as soon as possible in order to allow the new employee to attend the County Indigent Health Care Program Quarterly Training Classes in Austin, Texas on March 25<sup>th</sup>-March 27<sup>th</sup>, 2015.

The next agenda item to be discussed was Agenda Item No 10, to take action on the appointment of committees and positions. Chairman Henry explained that given all the activity at the District, he felt it was best to assign additional working committees to assist in finalizing the hiring of an Indigent Care Director; review the Indigent Care Policy Statement; update the newly acquired facility on Highway 124; and to work with Winnie Community Hospital. As such, in addition to the Building Committee and Finance Committee already in place, Chairman Henry created and appointed Board members to serve on the following committees:

- a. Indigent Health Care: Committee: Director Burgess and Director Rollo;
- b. Personnel Committee: Director. Burgess and Director Rollo; and
- c. Hospital Liaison: Director Espinoza

After the creation of new committees, Chairman Henry called on the established committees to give their committee reports called for in Agenda Item 11. Director Espinoza reported for the Building Committee that the District had received information from the Chambers County Public Hospital District No. 1 needed to get a windstorm certificate inspection and the information has been given to a certified inspector to issue a certificate. In addition, Director Murrell reported for the Finance Committee that the Committee was in the process of setting up a meeting with the Managers of the thirteen (13) nursing facilities in order to discuss

the status of the facilities; finances for each facility; and any outstanding issues that needed to be addressed.

Turning to reports by the Administrator, General Counsel, CPA, and/or the Nursing Home Consultants, the only report at the meeting was by the Administrator who introduced Lisa Stramecki who had been hired to build the District's website. Mrs. Stramecki discussed the fact that it was her recommendation that the District start off with a basic website that could be operating relatively soon and then build on this basic site to develop additional text and information that would be available after the initial site was introduced. She also reported that she had secured [www.wsdh-tx.org](http://www.wsdh-tx.org) as the District's web address.

Upon the conclusion of the Administrator's report, Chairman Henry called the Board into Executive Session at 8:24 p.m. for purposes of consultation with legal counsel pursuant to Section 551.071 of the Texas Government Code. The Executive Session lasted until 9:34 p.m.

The Board then reconvened into Regular Session and took up Agenda Item No. 4, to review and approve payment of invoices. Prior to the approval of the invoices, Attorney Oxford explained that the money from the Nursing Home UPL Program had just been deposited into Operating Account and the principle and interest for Neches Capital had been transferred to the Interbank Account as called for by the District's policy on UPL funds. In addition, it was discussed that the total due to the LTC Group for their services on behalf of the District as set forth in the Services Agreement for July 2014 through December 2014 was \$1,197,152.00. LTC requested payment funds for services rendered for July 2014 through October 2014 at the time of the meeting in order to give the District time to conduct a complete reconciliation of UPL funds and funds previously on hand. With this, a motion was made by Director Espinoza to pay the invoices set forth in **Exhibit "E"**, including \$630,839.90 to LTC, after adjustments, for the

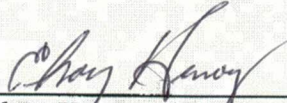
months of July through October 2014. This motion was seconded by Director Rollo with the unanimous consent of all Board members present.

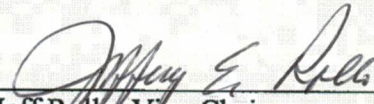
The Board was then asked to return to Agenda Item No. 6, to consider and take action on approving a Quality Incentive Fee Policy for Managers of Nursing Homes. At this time, Attorney Oxford explained to the Board that this policy was for the Managers of nursing homes, not LTC Group, and the purpose of the policy was to set forth criteria that makes sure that the District's nursing homes achieved a certain level of quality assurance in order to get paid the additional 10% of Net Operating Income set forth in the Management Agreements. Director Burgess explained that when the Agenda Item was initially brought up, she was under the impression that this additional funding was for the LTC Group and that the agreement for the LTC Group did not call for the incentive fee payment. Therefore, a motion was made by Director Espinoza to revoke on Agenda Item No. 6 to approve the Quality Incentive Payment Policy. *See Exhibit "C"*. This motion was seconded by Director Rollo and was approved by all Board members present.

In addition, the Board revised Agenda Item 8, to discuss and take action; if necessary, on approving amendments to the Winnie Stowell Indigent Health Care Policy and Procedures Statement ("Statement"). The Board discussed the need to adopt a policy and the fact that if a policy was adopted that was consistent with the current policy requiring citizenship, the Board could always go back and revisit the citizenship criteria to participate in the program. Consequently, a motion was made by Director Murrell to adopt the proposed Indigent Policy Statement that required citizenship or an exception to the citizenship by alien residents of the District in order to participate in the District's Indigent Care Program. *See Exhibit "D-1"*. This motion was seconded by Director Rollo with the unanimous consent of all Board members.



Lastly, the Board discussed that the next regularly scheduled meeting would be held on March 18, 2015, and then a motion was made by Director Espinoza and was seconded by Director Burgess, with the unanimous consent of all Board members to adjourn at 9:40 p.m.

  
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Elroy Henry, Chairman

  
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Jeff Rollo, Vice-Chairman