

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

The agenda for the special 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 5:30 p.m. on the 25th 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 5:30 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 the District's financials and payment of invoices as set forth in **Exhibit "B"**. At the time of the meeting, the District had a cash balance of \$6,663.927.32 and total liabilities of \$28,424.46, not including money's owed to Managers for Incentive Payments and the LTC Group for the balance due for services rendered for November and December 2014 in the amount of \$566,312.67. After a review of the financials and a discussion of the invoices a motion was made by Director Murrell to approve financials and pay the outstanding invoices,

including the \$566,312.67 owed to the LTC Group for services rendered during the months of November and December 2014. This motion was seconded by Director Rollo with the unanimous consent of all Board members.

Once the financials for the previous month and February were discussed, Chairman Henry asked Ms. Robertson, the District's CPA, to continue with Agenda Item No. 4, to discuss, and take action, if necessary, on approval of the 2014 year-end financial statements to be submitted for audit. Ms. Robertson then distributed the 2014 year-end financial statements for 2014 and discussed with the Board that it had total net assets of \$9,862,244.00 and after taking into considerations the total current liabilities of \$7,159,267.00, the District had a total net position of \$2,702,977.00. **See Exhibit "C"**. Included in the current liabilities were \$4,367,244.00 due to nursing homes, accounts payable to the LTC Group of \$1,216,076.00, and loan payable of \$1,551,000.00. In addition, Ms. Robertson presented the Board with a final Statement of Revenues, Expenditures, and Changes in net position as of December 31, 2014. Essentially, this is the final numbers for 2014 itemized by individual revenue sources and expenses line items. At the conclusion of Ms. Robertson's presentation, Director Espinoza made a motion to accept the 2014 year-end financial statement as presented and set forth in Exhibit "C". This motion was seconded by Director Murrell with the unanimous consent of all Board members.

The Board then turned their attention to Agenda Item No. 5, to discuss and take action, if necessary, on approving the travel and participation to Austin, Texas by District employee for the County Indigent Health Care Program Quarterly Training Classes to be held on March 25th-27th, 2015 at the Texas Department of State Health Services in Austin, Texas. Administrator Norris explained the District needed to reserve its spots for this conference and the new Indigent

Care Director was going to need to attend. In addition, Director Burgess requested she be allowed to attend. Therefore, Director Rollo made a motion to approve the travel and participation for the new Indigent Care Director and Director Burgess to attend the County Indigent Health Care Program Quarterly Training Classes to be held on March 25th-27th, 2015 at the Texas Department of State Health Services in Austin, Texas. This motion was seconded by Director Espinoza and unanimously approved by all Board members present.

The Board was asked to move past Agenda Item No. 6, to discuss and take action, if necessary, on participating in the Nursing Home UPL Program for Eligibility Period 2 to Agenda Item No. 7, to discuss and take action on hiring an Indigent Health Care Director. Administrator Norris advised the Board that there had been four (4) applications submitted and the Personnel Committee needed to meet as soon as possible to begin the interview process. However, no action was taken.

The Board then skipped to Agenda Item 9, to discuss and take action, if necessary, on approving the Indigent Care Agreement between the Winnie Community Hospital and the District. Attorney Oxford advised that this agreement has not been discussed or negotiated but that he would get with the lawyer for the Winnie Community Hospital in the upcoming week to review and revise the proposed agreement submitted to the District by the Hospital. Otherwise, no action was taken on this agenda item.

Before going to Executive Session, Chairman Henry reminded the Board that Agenda Item No. 10 was addressed at the February 18, 2015 and would need to be removed from the agenda. No action was taken.

Chairman Henry called the Board into executive session at 6:06 p.m. for purposes of consultation with legal counsel pursuant to Section 551.071 of the Texas Government Code and

Section 551.074 personnel matters. The executive session lasted until 9:05 p.m. The executive session was taped by electronic device and a copy of the recorded session has been filed with minutes of this meeting in a sealed envelope.

Upon the return to open session, Chairman Henry asked the Board to address Agenda Item Nos. 6, 7, and 8. As to Agenda Item No. 6, to discuss and take action, if necessary, on participating in the Nursing Home UPL Program for Eligibility Period 2. Attorney Oxford advised the Board that this was a commitment to fund four (4) quarterly IGTs (“Intergovernmental Transfers”) from August 2015 through August 2016 on behalf of the District’s thirteen (13) nursing homes. He also reminded the Board that in August of 2015, the District will need to have sufficient funds to cover IGTS for the first quarter of Eligibility Period 2 while the District still has outstanding IGT commitments for the two quarters that made up Eligibility Period 1. Moreover, Attorney Oxford advised the Board that the Upper Payment Limit (“UPL”) funds for Eligibility Period 2 would be returned to the District on a monthly basis through January 2017. Following this explanation, a motion was made by Director Espinoza to participate in Eligibility Period 2 for the Nursing Home UPL Program. This motion seconded by Director Rollo with the unanimous consent of all Board members.

Next, the Board returned to Agenda Item No. 7, to discuss and take action, if necessary, hiring an Indigent Health Care Coordinator/Director. It was discussed that there had been four applications submitted for the position and given the fact that the position needed to be filled as soon as possible interviews needed to start taking place immediately. Moreover, given the need to start interviewing for this position, the Board discussed the pay scale for this position. Ultimately, it was agreed that the pay scale should be between \$40,000.00 to \$60,000.00 per year, including benefits, based on Attorney Oxford’s discussions with the Chambers County

Indigent Care Department and the Texas Department of State Health Services. Following the discussion, a motion was made by Director Espinoza to establish a pay scale for the Indigent Care Director's position of \$40,000.00 to \$60,000.00 including all benefits. This motion was seconded by Director Rollo with the unanimous consent of all Board members.

The last action item to be addressed was Agenda Item No. 9, to discuss and take action, if necessary, on disbursement of funds received from the Nursing Home UPL Program. Chairman Henry asked Attorney Oxford to give the status of funds received from the Nursing Home UPL program and any outstanding obligations. Attorney Oxford advised the District received \$12,876,135.00 in UPL funds from the State of Texas on February 17, 2015, one day before its regular meeting on February 18, 2015 for the 4th Quarter of 2014 and the 1st Quarter of 2015. The net to the District was \$7,474,597.00 after the District set aside its original IGT for the two quarters of \$5,401,539.00.


Meanwhile, given the availability of the funds, per the District's Management Agreements with the District's two sets of Managers, Caring Healthcare and Skilled Nursing Facilities, the District was obligated to make payments within five (5) days of a receipt of a reconciliation report being submitted for all accrued Base Management Fees, Incentive Payments, and earned Quality Incentive Fees. In the case of Caring Healthcare, it was explained that they presented a reconciliation report to the District on or about February 17, 2015 and payment of the accrued funds was due on February 24, 2015 per the agreements with each of these facilities. However, Attorney Oxford advised that even though the District had authority to pay the funds, because the District had already approved the Management Agreements, he had requested an extension to pay the accrued funds until this meeting. Attorney Oxford explained that Caring Healthcare agreed to the extension but requested payment of the 10% Quality

Incentive Fee bonus of \$412,993.00 on February 24, 2015, which the District ultimately did fund. Therefore, as of the meeting, the amount due to Caring Healthcare for accrued fees was \$2,064,966.65 for accrued fees.

In regard to other outstanding payment obligations, the Board discussed at length with officials from the Winnie Community Hospital their immediate needs for funding a portion of the \$3,750,000.00 commitment. Officials from the Hospital requested at least \$2,000,000.00 as soon as possible because they needed to secure enough funds to start the operating room in order to attract surgeons to the facility. In response, the District explained the District's need to amend their budget and set a reserve policy to take into account funds spent on the Hospital's bankruptcy and other legal matters that have arisen since February 2013. Most importantly, the District stressed the need to have a signed Indigent Care Agreement with the Hospital before any funds were given to the Hospital. Therefore, the two parties agreed to reconvene in a week for a second special meeting when the District would make an announcement of the amount subject to 1) a Finance Committee meeting to set appropriate reserves for the District and to evaluate the Hospital's request; and 2) the completion of an Indigent Care Agreement.

At the conclusion of the discussion of this agenda item, Director Espinoza made a motion to approve all accrued fees to both Managers upon receipt of the a mutually acceptable reconciliation report and confirmation of compliance with the Management Agreements for the months of July 2014 through March 2015.

In conclusion, the Board agreed to a Special Meeting on March 4th, 2015 at 6:30 p.m. 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 9:10 p.m.


Elroy Henry, Chairman


Jeff Rollo, Vice-Chairman