



August 13, 2018

Jonny Hipp
Chief Executive Officer
Nueces County Hospital District
555 North Carancahua Street, Suite 950
Corpus Christi, Texas 78401-0835

Re: 2019 Revenue Allocation Percentage

Dear Jonny:

Subsequent to the discussions between CHRISTUS Spohn Health System Corporation ("Spohn"), CHRISTUS Health ("CHRISTUS"), and the Nueces County Hospital District ("District") required under Section 5.03 of the Amended and Restated CHRISTUS Spohn Health System Corporation Membership Agreement (the "Membership Agreement"), I am writing to memorialize the Specified Annual Percentage for the Ensuing Year (October 1, 2018 – September 30, 2019). While Section 5.03 of the Membership Agreement requires that the parties agree to the Specified Annual Percentage by July 1, the parties mutually agreed to extend this deadline.

In preparation for establishing the Specified Annual Percentage for the Ensuing Year, CHRISTUS and Spohn prepared a hospital budget and projected Spohn's Net Patient Revenue (as defined in Section 5.01 of the Membership Agreement). Preparing these figures assisted Spohn and CHRISTUS in projecting Spohn's operational needs during the Ensuing Year and the Net Patient Revenue that would be available to share with the District. On July 16, Spohn and the District met to discuss Spohn's proposed budget and projected Net Patient Revenue for the Ensuing Year. The parties also discussed the many factors that are considered each year when negotiating the Specified Annual Percentage, including (but not limited to) Spohn's role in operating residency and trauma programs in the community, and the District's role in acting as the Region 4 Anchor and enrolling indigent patients into the Indigent Program. Finally, the parties discussed the specific circumstances expected to affect the parties' respective operations in the Ensuing Year, including (but not limited to) the District's efforts to maintain its tax collections, the ongoing implementation of Spohn's Master Facility Plan, the renewal of the Texas 1115 Demonstration Waiver, and the impact of the new Uniform Hospital Rate Increase Program on the parties.

Based on these discussions, the parties agreed that the Specified Annual Percentage for the Ensuing Year will be sixty-five percent (65%) and that the remaining thirty-five percent (35%) will be transferred to the District in accordance with the provisions of Section 5.02 of the Membership Agreement and in recognition of its membership in Spohn and role in Spohn's continued delivery of high-quality, integrated, and accessible services to patients in Nueces County.

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Very truly yours,



Justin Doss
CHRISTUS Spohn Health System Corporation

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