



Kidney Health Care Program Fiscal Year 2014 Annual Report

**As Required By
Texas Health and Safety Code, Chapter 42**



**Department of State Health Services
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Executive Summary

The Kidney Health Care Act (Article 4470-20, Vernon’s Texas Civil Statutes) authorized the establishment of the Kidney Health Care (KHC) Program in September 1973 at the Texas Department of Health, a legacy agency of the Department of State Health Services (DSHS). The KHC Program statute was later codified as Chapter 42 of the Texas Health and Safety Code. Chapter 42 directs the use of state funds and resources for the care and treatment of persons suffering from end-stage (chronic) renal disease. During fiscal year 2014, program expenditures for client services totaled approximately \$18.3 million. A total of 20,005 active clients received one or more benefits from the KHC Program, which include drugs, transportation, and medical services. This annual report is submitted in compliance with §42.016 of the Texas Health and Safety Code.

Background

End-stage renal disease (ESRD) usually follows years of chronic renal disease caused by inherited or acquired medical conditions like diabetes and/or hypertension, or renal injury. It is a permanent and irreversible disease state that requires the use of renal replacement therapy (renal dialysis or transplantation) to maintain life.

Before Congress created the Medicare Chronic Renal Disease (CRD) Program in 1973, persons suffering from ESRD had limited resources available for paying the expenses associated with renal replacement therapy. Because of this, many did not get treatment and died as a result. Even with the inception of the CRD Program, Medicare did not fully cover all medical expenses for ESRD patients. To help ease the financial strain on persons with ESRD, the Texas Legislature created the KHC Program. The primary purpose of the KHC Program, according to the statute, was to “direct the use of resources and to coordinate the efforts of the state in this vital matter of public health.”¹

The Medicare CRD Program covers allowable medical and related costs for dialysis and transplant patients who are enrolled in Medicare. Although this coverage has made treatment more accessible for ESRD patients, these patients still have significant out-of-pocket costs for ESRD treatment, drugs, travel, and related expenses. Most ESRD patients do not receive any ESRD benefit from Medicare until three months after the initiation of dialysis treatment. While the Medicare Part D drug coverage helps with some expenses, the KHC Program drug benefit assists with costs for Medicare Part D deductibles, co-insurance amounts, and Part D “gap” expenditures, also known as the “donut hole.” The “gap” is when the client is responsible for 100 percent of their drug costs up to a certain dollar amount. Once that dollar limit has been met, the client moves into the next Medicare drug benefit level. Further, Medicare does not provide reimbursements for travel associated with ESRD treatment. For rural residents in Texas with ESRD, travel to receive ESRD treatment can be a financial burden.

¹Texas Health and Safety Code, *Chapter 42, Section 42.001, Subsection c.*

In the program's initial fiscal year, 819 individuals were approved to receive benefits.² In fiscal year 2014, 3,165 individuals were newly-approved to receive benefits.³ Nationally, 636,905 patients received renal replacement therapy in calendar year 2012 according to the latest national statistics.⁴ In Texas, 56,587 patients received renal replacement therapy in calendar year 2013.⁵ During the KHC Program's 41-year existence over 117,000 persons have been approved to receive benefits including access surgery needed for dialysis, dialysis-related hospitalization, drugs, and transportation costs incurred in the treatment of ESRD.⁶

Program Eligibility

An applicant must meet all of the following requirements to receive KHC Program benefits:

- Have a diagnosis of ESRD;
- Meet the Medicare criteria for ESRD;
- Be receiving a regular course of renal dialysis treatments or have received a kidney transplant;
- Be ineligible for full Medicaid benefits;
- Have a gross income of less than \$60,000 per year;
- Be a Texas resident and provide proof of residency; and
- Submit an application for benefits through a participating facility.

Program Progress

Active Clients

The program defines an active client as anyone that is eligible for and receives a KHC benefit. As of August 31, 2014, the KHC Program had 20,005 active clients.⁷ Demographics of the active client population of the KHC Program demonstrate an over-representation of certain characteristics in relation to the overall state population. Clients between the ages of 45 and 74 account for 75 percent of all active clients, but less than 32 percent of the total Texas population in the same age range. Forty five percent of all active clients are Hispanic. The proportion of active African-American clients (29.2 percent) is nearly triple the proportion of the African-Americans in the Texas population (11.4 percent). In relation to socioeconomic status, data shows that 61.4 percent of active clients have gross annual incomes below \$20,000 (Table 1).

² Texas Department of State Health Services, Kidney Health Care Program 1974 Annual Report, p. 8.

³ Texas Department of State Health Services, The Automated System for Kidney Health Information Tracking (ASKIT) Public reports, Annual Report, Approved, FY 2014 Approvals as of August 31, 2014, accessed on December 18, 2014

⁴ The United States Renal Data System, "Volume 2 – ESRD" *The 2014 Annual Data Report Reference Tables* (Calendar Year 2012 data) Table D., Treatment Modalities, The United States Renal Data System Web site: <http://www.usrds.org/adr.aspx> accessed on November 14, 2014. *Note:* Figure is the sum of the point prevalence for dialysis (450,602) plus the total transplants for the period (186,303) in order to obtain figures comparable to Texas figures, which include only patients on dialysis and those receiving transplants.

⁵ ESRD Network of Texas, Inc., #14, 2013 Annual Report Web site: <http://esrdnetwork.org/wp-content/uploads/2013-Annual-Report-FINAL-CORRECTED-06172014.pdf> accessed on November 12, 2014

⁶ Texas Department of State Health Services, *Cumulative tally of approved applicants, FY 1974-FY 2014*, from previous KHC Program annual reports

⁷ Texas Department of State Health Services, *ASKIT Public Reports, Actives, FY 2014, Actives as of August 31, 2014*, accessed on December 18, 2014

Approved Applicants

Approved applicants are persons with ESRD who became newly eligible for KHC Program benefits during the fiscal year being reported. Fiscal year 2014 data for approved applicants show patterns similar to those for active clients. Persons between ages 45-74 account for the greatest proportion of approved applicants. Hispanics account for the largest ethnic proportion of approved applicants (45.1 percent). African-Americans also have a strong representation in this group. The proportion of approved applicants who are African-American is more than double the proportion of the African-Americans in the Texas population (26.9 percent versus 11.4 percent respectively). Females account for 41.7 percent of approved applicants (Table 1).

Table 1. Kidney Health Care Program 2014 Active Clients, Approved Applicants, and Projected 2014 Texas Population Data⁸

Totals	Active Clients		Approved Applicants		Projected 2014 Texas Population (millions)	
	20,005	100%	3165	100%	26.0	100%
Age Group						
0-20	26	0.1%	7	0.2%	8.0	30.8%
21-34	802	4.1%	220	7.0%	5.2	19.8%
35-44	2,137	10.7%	374	11.8%	3.5	13.4%
45-54	4,288	21.4%	771	24.3%	3.4	13.1%
55-64	6,087	30.4%	956	30.2%	2.9	11.2%
65-74	4,599	23.0%	585	18.5%	1.8	6.9%
75+	2,066	10.3%	252	8.0%	1.2	4.8%
Gender						
Female	8,127	40.6%	1,320	41.7%	13.1	50.4%
Male	11,878	59.4%	1,845	58.3%	12.9	49.6%
Race/Ethnicity						
African-American	5,844	29.2%	852	26.9%	3.0	11.4%
Hispanic	9,013	45.1%	1,427	45.1%	10.0	38.8%
White	4,609	23.0%	802	25.3%	11.5	44.1%
Other*	539	2.7%	84	2.7%	1.5	5.7%
Gross Annual Income						
Under \$20,000	12,289	61.4%				
\$20,000-\$29,999	3,859	19.3%				
\$30,000-\$39,999	2,034	10.2%				
\$40,000-\$49,999	1,170	5.8%				
\$50,000-\$59,999	653	3.3%				

Notes: Sums of percentages may not be equal to 100% due to rounding; The "Other" ethnic category includes Indian, Asian, American Indian/Alaskan Native, and Pacific Islander

⁸ *Data Sources for Table:*

Active Clients—Texas Department of State Health Services, *Public Reports, Annual Reports, FY 2014 Actives, ASKIT* as of August 31, 2014, accessed on December 18, 2014

Approved Applicants—Texas Department of State Health Services, *FY 2014 Approved Applicants, Kidney Health Care Program, Public Reports, Annual Reports, FY 2014 Approved, ASKIT* as of August 31, 2014, accessed on December 18, 2014

Projected 2014 Texas Population (in millions)—Texas Department of State Health Services, Office of Program Decision Support, VF. October 27, 2014. From Texas State Data Center at UT San Antonio. 2014 Texas Population Projections, Population Migration Growth Scenario 2010-2050, zero migration

Program Activities

Fiscal Year 2014 Program Benefits

Specific program benefits are dependent on the applicant's treatment status and eligibility for benefits from other programs and coverage such as Medicare, Medicaid, or private insurance. KHC Program benefits are subject to state budget limitations and to the reimbursement rates established by DSHS. The benefits can include payment for allowable drugs, transportation, medical expenses incurred as a direct result of ESRD treatment (dialysis treatment and access surgery), and assistance with premium payments in certain instances.

Drugs

In fiscal year 2014, 6,706 KHC Program clients⁹ received prescription drug benefits, not including prescription drug premium payments, at an average annual cost per client of \$1,492.¹⁰ The average cost per client increased by \$78 between fiscal years 2013 and 2014. This can be attributed to an increase in the cost of drugs used by KHC Program clients.

The KHC Program drug benefit is available to clients who are not eligible for drug coverage under a private/group health insurance plan or those receiving full Medicaid prescription drug benefits. This benefit is limited to four prescriptions per month and to KHC Program reimbursable drugs. The KHC Program manages the formulary (the list of covered drugs) used by the program and each drug has a \$6 co-pay. Clients must obtain their medication from a KHC Program participating pharmacy.

Standard Drug Benefit

The standard drug benefit is available to KHC Program clients prior to becoming eligible for Medicare and enrolled in a Part D drug plan, or to those who are not eligible for Medicare benefits. The benefits also include coverage of immunosuppressive drugs for kidney transplant clients whose Medicare coverage ends 36 months post-transplant.

Medicare Part D Coordination of Benefits

The KHC Program assists with drug costs for Medicare Part D deductibles and co-insurance amounts, and Part D "gap" drug expenditures. This benefit is limited to those drugs on the Medicare Part D prescription drug plan formulary that are on the KHC Program reimbursable drug list. Coverage is limited to four drugs per month.

The KHC Program also provides coverage for pharmaceutical products excluded from Medicare Part D, such as over-the-counter drugs and vitamins. In order for clients to have Medicare Part D benefits coordinated by the KHC Program, they must be enrolled in a Texas Stand-alone drug plan which provides prescription drug coverage and no other services.

⁹ Texas Department of State Health Services, *ASKIT, FY 2014, Claims* as of August 31, 2014, accessed on December 18, 2014

¹⁰ Texas Department of State Health Services, *FY 2014 Client Services Expenditures, HHSAS*, as of August 31, 2014, for claims processed by December 16, 2014

Medicare Part D Enrollment

KHC Program clients are required to enroll with a Medicare Part D drug plan in order to receive program assistance for Part D Premium and drug claims. Clients are also required to apply for Low-Income Subsidy (also known as “extra help,” from the Social Security Administration) as a part of their enrollment and ongoing participation with the KHC Program. In fiscal year 2014, there were 16,883 clients enrolled in a Part D Stand-alone drug plan. Of these, 12,582 clients (74 percent) received some amount of subsidy from the Social Security Administration.¹¹

Medicare Part D Premium Assistance

The KHC Program has executed agreements with most of the Stand-alone Part D plan providers in Texas to pay premiums directly to providers on behalf of the program clients. Premium benefit limits are capped at a maximum of \$35 per month per client, less any Medicare subsidies. In fiscal year 2014, there were 9,044 clients¹² who received Part D premium payment assistance at an average annual cost of \$205.¹³

Medicare Part B Immunosuppressive Drugs

The KHC Program is the secondary payer of immunosuppressive drugs for kidney transplant patients when Medicare Part B is the primary payer. This benefit is included as part of the four drugs from the KHC Program drug formulary per client per month.

Transportation

Clients eligible for travel benefits are reimbursed at 13 cents per mile round-trip, based on the client’s treatment status and the number of allowable trips taken per month to receive ESRD treatment. The maximum monthly reimbursement is \$200. Clients eligible for transportation benefits under the Medicaid Medical Transportation Program are not eligible to receive KHC Program transportation benefits. In fiscal year 2014, there were 16,415 KHC Program clients¹⁴ who received a travel benefit for an average cost per client of \$272 per year.¹⁵

Medical Services

The KHC Program provides limited payment for ESRD-related medical services. Allowable services are inpatient and outpatient dialysis treatments and medical services required for access surgery, including hospital, surgeon, assistant surgeon, and anesthesiology charges. In fiscal

¹¹ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, FY 2014*, unduplicated client count from CMS enrollment file (Excel), as of August 31, 2014, accessed on November 19, 2014

¹² Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives* as of August 31, 2014, accessed on December 18, 2014

¹³ Texas Department of State Health Services, *FY 2014 Client Services Expenditures, HHSAS*, as of August 31, 2014, for claims processed by December 16, 2014

¹⁴ Texas Department of State Health Services, *ASKIT Public Reports, Actives, FY 2014 Actives* as of August 31, 2014, accessed on December 18, 2014

¹⁵ Texas Department of State Health Services, *FY 2014 Client Services Expenditures, HHSAS*, as of August 31, 2014, for claims processed by December 16, 2014

year 2014, there were 517 KHC Program clients¹⁶ who received a medical benefit for an average cost per client of \$3,767 per year.¹⁷

Dialysis treatment coverage is provided to clients during the pre-Medicare qualifying period. A maximum number of 14 treatments per month are covered for each client at a flat rate of \$130.69 per treatment. The KHC Program has contracts with 488 dialysis facilities.

Access surgery is defined as the “surgical procedure which creates or maintains the access site necessary to perform dialysis.”¹⁸ Access surgery along with vein mapping for the initiation of dialysis typically is done before the patient qualifies for ESRD benefits through Medicare. Access surgery can be covered retroactively up to 180 days before the date of KHC Program eligibility.

The KHC Program pays Medicare Parts A and B premiums on behalf of program clients who are (1) eligible to purchase this coverage according to Medicare’s criteria; (2) not eligible for “premium free” Medicare Part A (hospital) insurance under the Social Security Administration; and (3) not eligible for Medicaid payment of Medicare premiums.

Fiscal Year 2014 Client Expenditures

Client service expenditures provided to KHC Program clients are reported in Table 2. Drug expenditures accounted for \$10.0 million or 55 percent of all client service expenditures. There were 100,168¹⁹ drug claims for an average cost per claim of \$100. Of the remaining fiscal year 2014 client expenditures, Part D Premiums accounted for \$1.9 million, or 10 percent of expenditures; travel services accounted for \$4.5 million, or 25 percent of expenditures; and medical services accounted for \$1.9 million, or 10 percent of expenditures.²⁰

Table 2. Fiscal Year 2014 Client Service Expenditures²¹

Client Services	Expenditures in Millions	Percent of Total
<i>Drugs</i>	10.0	55%
<i>Part D Premiums</i>	1.9	10%
<i>Travel</i>	4.5	25%
<i>Medical</i>	1.9	10%
Total	18.3	100%

¹⁶ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2014 Actives as of August 31, 2014*, accessed on December 18, 2014

¹⁷ Texas Department of State Health Services, *FY 2014 Client Services Expenditures, HHSAS*, as of August 31, 2014, for claims processed by December 16, 2014

¹⁸ Texas Administrative Code, Title 25, Part 1, Chapter 61, Subchapter A, Section 61.1 (b) (1)

¹⁹ Texas Medicaid & Healthcare Partnership, *Cumulative tally of paid pharmacy claims* as of August 31, 2014, from Business Objects, Xerox Pharmacy on November 20, 2014

²⁰ Texas Department of State Health Services, *FY 2014 Client Services Expenditures, HHSAS*, as of August 31, 2014, for claims processed by December 16, 2014

²¹ Texas Department of State Health Services, *FY 2014 Client Service Expenditures, HHSAS*, as of August 31, 2014 for claims processed by December 16, 2014 (Numbers are rounded)

Fiscal Year 2014 Accomplishments

During fiscal year 2014, the KHC Program achieved the following goals:

- Completed the scanning operational requirements for the Texas IBIS automated system;
- Developed a process for reviewing client eligibility for the post-transplant client population;
- Identified and contacted 750 KHC Program clients who were 36-month post-transplant to inform them of their ability to purchase private health care insurance through the Affordable Care Act (ACA) Marketplace;
- Distributed KHC client satisfaction surveys with travel checks and reviewed 1,119 surveys with clients' opinions of the following:
 - Quality of customer service KHC Program provides over the telephone
 - How social workers help KHC Program clients
 - Overall satisfaction with the KHC Program
 - How clients prefer to receive information from the KHC Program;
- Analyzed survey data and prepared an in-depth draft report of the results.

Fiscal Year 2015 Program Goals

The KHC Program's goals for fiscal year 2015 include:

- Launch of the IBIS automated system for provider enrollment, client eligibility, and claims processing as well as implement ongoing quality assurance activities;
- Review of the KHC Program formulary; compare brand name costs with generic drug costs;
- Examine KHC Program benefits to identify potential cost-saving measures;
- Monitor progress of the program's claims contractor in recovery of pharmacy benefit insurance claims paid by the KHC Program;
- Send notification to KHC Program clients about purchasing private health care insurance through the ACA Marketplace; and
- Complete the *Kidney Health Care (KHC) Program Survey Report* and post on the KHC Program website, <http://www.dshs.state.tx.us/kidney/>.

Availability of Additional Data

This report includes data most frequently requested by individuals interested in the KHC Program and is available at <http://www.dshs.state.tx.us/kidney/reports.shtm>.

All requests for additional data or reports should be sent to:

Texas Department of State Health Services
Purchased Health Services Unit
Kidney Health Care Program
Mail Code 1938
P.O. Box 149347
Austin, Texas 78714-9347
Local: 512/776-7150

Toll-free: 800/222-3986
Fax: 512/776-7162

For more information on state and national data, please visit the following sources:

ESRD Network of Texas, Inc. (#14)
4040 McEwen Road
Suite 350
Dallas, Texas 75244
972/503-3215
<http://www.esrdnetwork.org/>

United States Renal Data System
914 South 8th Street
Suite S-206
Minneapolis, Minnesota 55404
888/99U-SRDS
<http://www.usrds.org/>