

The Kidney Health Care Program Fiscal Year 2008 Annual Report

Division of Family and Community Health Services Texas Department of State Health Services

Legislative Authority

The Kidney Health Care Act (Article 4477-20, Vernon's Texas Civil Statutes) authorized the establishment of the Kidney Health Care (KHC) Program in September 1973 under the Texas Department of Health, now the Department of State Health Services (DSHS). The KHC Program was later recodified under the Texas Health and Safety Code, Chapter 42. This law directs the use of State funds and resources for the care and treatment of persons suffering from end-stage (chronic) renal disease. This Annual Report is submitted in compliance with §42.016 of the Texas Health and Safety Code.

History

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 (see below). To help ease the financial strain on persons with ESRD, the Texas Legislature created the Kidney Health Care (KHC) Program. The primary purpose of the KHC Program 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 other related costs for dialysis and transplant patients who are enrolled in Medicare. This coverage has made treatment more accessible for ESRD patients. However, patients still have significant out-of-pocket costs for ESRD treatment, drugs, travel, and related expenses. Most ESRD patients do not receive any ESRD benefits from Medicare until three months after the initiation of dialysis treatment. While the Medicare Part D drug coverage helps with drug expenses, the KHC Program assists with drug costs for Medicare Part D deductibles, co-insurance amounts, and Part D "gap" expenditures, also known as the "doughnut hole." (The "gap" is a period of time when there is no Medicare payment for drug costs.²) In addition, Medicare does not provide reimbursement

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

² Texas Department of State Health Services, *Introducing Medicare Rx: Important Information about Medicare Rx and Your KHC Drug Benefits*, 2006.

for travel associated with ESRD treatment. For rural residents in Texas with ESRD, travel to receive ESRD treatment can be a financial burden.

In fiscal year (FY) 1974, there were 819 individuals approved to receive benefits through the KHC Program.³ In FY 2008, there were 4,127 individuals newly-approved to receive benefits.⁴ Nationally, 372,806 patients received renal replacement therapy in calendar year 2006 according to the latest national statistics.⁵ In Texas, 41,607 patients received renal replacement therapy in FY 2007.⁶ During the KHC Program's 35-year existence, approximately 96,000 persons have been approved to receive benefits for access surgery, dialysis, hospitalization, drugs, and transportation costs incurred in the treatment of ESRD.⁷

Program Eligibility

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

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

³ Texas Department of State Health Services, *Kidney Health Care Program 1974 Annual Report*, p. 8.

⁴ Texas Department of State Health Services, *The Automated System for Kidney Health Information Tracking (ASKIT) Public Reports, Annual Reports, Approved, FY 2008 Approvals*, as of August 31, 2008, and accessed on December 3, 2008.

⁵ The United States Renal Data System, "Volume 2 Précis: Background on the US ESRD Program," *The 2008 Annual Report*. (Calendar Year 2006 data), p. 4. The United States Renal Data System Web site:

http://www.usrds.org/2008/pdf/V2_Precis_2008.pdf (accessed December 18, 2008). *Note:* Figure is the sum of the point prevalence for dialysis (354,754) plus the total transplants for the period (18,052) in order to obtain figures comparable to Texas figures which include only patients on dialysis and those receiving transplants.

⁶ ESRD Network of Texas, Inc., #14, *2007 Annual Report*, ESRD Network of Texas, Inc., #14. Web site:

<http://www.esrdnetwork.org/assets/pdf/annual-report/net14annualreport2007.pdf> (accessed December 18, 2008).

⁷ Texas Department of State Health Services, *Cumulative tally of approved applicants, FY 1974-FY 2007*, from previous KHC Program annual reports.

Active Recipients

As of August 31, 2008, the KHC Program had 18,091 active recipients.⁸ (An active recipient is anyone that was eligible for KHC benefits as of August 31, 2008.) Demographics of the active recipient population of KHC demonstrate an over-representation of certain characteristics in relation to the overall state population. Persons age 45-74 years account for more than 70 percent of all active recipients, but less than 30 percent of the total Texas population. More than 40 percent of all active recipients are Hispanic. No racial/ethnic group, however, is more highly represented in the active recipient population than African-Americans, with the proportion of active participants in this group nearly triple the proportion of African-Americans in the Texas population (28.8 percent versus 11.2 percent respectively). Males in the active recipient category comprise 60 percent of this group; females comprise 40 percent of the group. In relation to gross annual income, data show that 66.8 percent of active recipients have a gross annual income below \$20,000. (Table 1, p. 4.)

Approved Applicants

Approved applicants are people with ESRD who became newly eligible for KHC Program benefits during the fiscal year being reported. Fiscal year 2008 data for approved applicants show patterns similar to those for active recipients. Persons age 45-74 account for the greatest proportion of approved applicants. Hispanics again account for the largest proportion of approved applicants (41.3 percent). African-Americans are the most represented in this group as well, being nearly triple the proportion of African-Americans in the Texas population (27.3 percent versus 11.2 percent respectively). Males account for 59.6 percent of all persons in this group. Females account for 40.4 percent of approved applicants. (Table 1, p. 4.)

⁸ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2008 Actives*, as of August 31, 2008, and accessed on December 3, 2008.

Table 1: Kidney Health Care Program FY 2008 Active Recipients on August 31, 2008, Approved Applicants, and Projected 2008 Texas Population Data⁹

	Active Recipients		Approved Applicants		Projected 2008 Texas Population (in millions)	
	Total	Percent of Total	Total	Percent of Total	Total	Percent of Total
TOTALS	18,091	100%*	4,127	100.00%	24.2	100.0%
Age Group						
0-20	43	0.2%	36	0.9%	7.5	31.0%
21-34	926	5.1%	312	7.6%	5.1	21.1%
35-44	2,307	12.8%	583	14.1%	3.5	14.5%
45-54	4,057	22.4%	917	22.2%	3.3	13.6%
55-64	5,106	28.2%	1,150	27.9%	2.3	9.5%
65-74	3,739	20.7%	733	17.8%	1.3	5.4%
75+	1,913	10.6%	396	9.6%	1.1	4.5%
Gender						
Female	7,230	40.0%	1,669	40.4%	12.1	50.0%
Male	10,861	60.0%	2,458	59.6%	12.1	50.0%
Race/Ethnicity						
African- American	5,205	28.8%	1,125	27.3%	2.7	11.2%
Hispanic	7,600	42.0%	1,703	41.3%	9.1	37.6%
White	4,818	26.6%	1,208	29.3%	11.3	46.7%
Other**	468	2.6%	91	2.2%	1.0	4.1%
Gross Annual Income						
Under \$20,000	12,088	66.8%				
\$20,000-\$29,000	3,016	16.7%				
\$30,000-\$39,000	1,578	8.7%				
\$40,000-\$49,999	912	5.0%				
\$50,000-\$59,999	497	2.7%				
\$60,000 or more	0	0.0%				

*Note: Sums of percentages not equal to 100% are due to rounding.

**Note: The "Other" ethnic category includes Indian, Asian, American Indian/Alaskan Native, and Pacific Islander.

⁹ Data Sources for Table:

Active Recipients—Texas Department of State Health Services, *Public Reports, Annual Reports, FY 2008 Actives, ASKIT*, as of August 31, 2008, and accessed on December 3, 2008.

Approved Applicants—Texas Department of State Health Services, *FY 2008 Approved Applicants, Kidney Health Care Program, Public Reports, Annual Reports, FY 2008 Approved, ASKIT*, as of August 31, 2008, and accessed on December 3, 2008.

Projected 2008 Texas Population (in millions)—Texas Department of State Health Services, Family Health Research Program Development, Title V and Health Resources Development, November 2008. From Texas A&M State Data Center, projected Texas population figures and income data based on unadjusted calendar year 2000 census figures.

Fiscal Year 2008 Program Benefits

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

The following is a description of the benefits provided to recipients during FY 2008 (including Medicare Part D premium payment).

Drugs

The KHC Program drug benefit is available to all recipients, except those who are eligible for drug coverage under a private/group health insurance plan or those receiving full Medicaid prescription drug benefits. Coverage is limited to four prescriptions per month and to KHC Program-allowable drugs. The KHC Program manages the formulary (the list of covered drugs) used by the program. Recipients must obtain their medication from a KHC Program participating pharmacy.

In FY 2008, there were 5,818 KHC Program recipients who received prescription drug benefits, not including prescription drug premium payments, at an average cost per recipient of \$1,266.¹⁰ There was a \$332 over-the-year increase in the average cost per recipient between FY2007 and FY2008. This is due to several factors such as increases in immunosuppressant drug usage, the number of clients served, the number of drug claims submitted, and a decrease in number of clients who received Medicare subsidy.

There are two types of KHC drug benefits: the standard benefit for recipients without Medicare and coordination of benefits for those with Medicare.

Standard KHC Drug Benefit

The standard drug benefit is available to all KHC recipients who do not have private/group health insurance, Medicare Advantage Plan coverage, or Medicare Part D. This benefit is limited to four drugs from the KHC drug formulary per recipient per month with a \$6 co-pay applied to each product purchased.

¹⁰ Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2008, for claims processed by November 30, 2008.

Medicare Part D Coordination of Benefits

The KHC Program assists with drug costs for Medicare Part D deductibles, 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 KHC recipients to have their Medicare Part D benefits coordinated by the KHC program, they must be enrolled in a Stand-Alone drug plan. Stand-Alone drug plans only provide prescription drug coverage and no other services.

Medicare Part D Enrollment

KHC recipients are required to enroll with a Medicare Part D drug plan in order to receive program assistance for Part D Premium drug claims. Recipients are also required to apply for Low-Income Subsidy, also known as “extra help” from the Social Security Administration as part of their enrollment with KHC.

In FY 2008, there were 14,535 recipients enrolled in a Part D Stand-Alone drug plan. Of these, 10,309 recipients, or 70 percent, received some amount of subsidy from Medicare, while the remaining 4,226 recipients did not qualify for subsidy.¹¹

Medicare Part D Premium Assistance

Since the inception of Medicare Part D prescription drug benefits, the KHC Program has executed agreements with the majority of Part D plan providers and paid premiums directly to them on behalf of the program recipients. The KHC Program reimbursed recipients for any Medicare Part D premiums that recipients had paid to their Part D plan providers that did not have executed agreements with KHC. Premium benefit limits are capped at a maximum of \$35 per month per recipient, less any Medicare subsidies. In FY 2008, there were 6,843 recipients who received Part D premium payment assistance at an average annual cost of \$137.¹²

¹¹ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, FY 2008*, Unduplicated Client Count from Medicare Premium Payment file (Excel), as of August 31, 2008, and accessed on December 3, 2008.

¹² Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2008, for claims processed by November 30, 2008.

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 limited to four drugs from the KHC drug formulary per recipient per month.

Transportation

Under the authority of Section 531.0057, Government Code, Medical Transportation Services, the Health and Human Services Commission (HHSC) assumed responsibility for the provision of transportation services for program recipients. The KHC Program processes travel claims for the travel benefit using funds provided through a Health and Human Services Commission (HHSC) interagency agreement.

Recipients eligible for travel benefits are reimbursed at 13 cents per round-trip mile, based on the recipient's treatment status and the number of allowable trips taken per month to receive ESRD treatment. The maximum monthly reimbursement is \$200. Recipients eligible for transportation benefits under the Medicaid Medical Transportation Program are not eligible to receive KHC Program transportation benefits. In FY 2008, there were 15,571 KHC Program recipients who received a travel benefit for an average cost per recipient of \$269 per year.¹³ _

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, which include hospital, surgeon, assistant surgeon, and anesthesiology charges.

Access surgery is defined as "the surgical procedure which creates or maintains the access site necessary to perform dialysis."¹⁴ Access surgery 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. In FY 2008, there were 653 KHC Program recipients who received a medical benefit for an average cost per recipient of \$3,561 per year.¹⁵ This is an increase from FY 07 of \$716 and due mainly to program increases in benefits for dialysis and access surgeries rates.

Premium Payments for Medicare Parts A and B

The KHC Program pays for premiums for Medicare Parts A and B on behalf of program recipients 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.

¹³ Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2008, for claims processed by November 30, 2008.

¹⁴ Texas Administrative Code, Title 25, Part 1, Chapter 61, Subchapter A, Section 61.1(b) (1).

¹⁵ Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2008, for claims processed by November 30, 2008.

Fiscal Year 2008 Recipient Service Expenditures

Recipient service expenditures provided to KHC Program recipients are reported in Table 2 below. Drug expenditures accounted for \$7.4 million or 50 percent of all recipient service expenditures. There were 76,367 drug claims for an average cost per claim of \$96. Of the remaining FY 2008 recipient service expenditures, Part D Premiums accounted for \$0.9 million (6 percent of expenditures), travel services accounted for \$4.2 million (28 percent of expenditures) and medical services accounted for \$2.3 million (16 percent of expenditures).¹⁶

Table 2: Fiscal Year 2008 Recipient Service Expenditures¹⁷

Client Services	Expenditures in Millions	Percent of Total
<i>Drugs</i>	7.4	50%
<i>Part D Premiums</i>	0.9	6%
<i>Travel</i>	4.2	28%
<i>Medical</i>	2.3	16%
Total	14.8	100%

¹⁶ Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2008, for claims processed by November 30, 2008.

¹⁷ Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2008, for claims processed by November 30, 2008.

Fiscal Year 2008 Accomplishments

During FY 2008, the KHC Program achieved the following goals:

- Increased the KHC reimbursement rate for dialysis treatments.
- Reviewed, updated, and increased rates for allowable access surgery procedures.
- Successfully redesigned and launched ASKITWeb 2.0 version (web-based eligibility and claims submittal system for providers) allowing for instant automation updates.
- Reviewed inter-city mileage caps.
- Participated in Chronic Kidney Disease Task Force – HB1373, 80th Regular Session

Fiscal Year 2009 Program Goals

The KHC Program's goals for FY 2009 include:

- Update mileage caps for inter-city mileage on record.
- Expand ASKITWeb training for on-line users.
- Improve program communication including developing newsletters, hosting quarterly conference calls, and updating client and provider manuals.
- Implement secure passwords for ASKIT (automated eligibility determination and claims payment system for DSHS staff) and ASKITWeb.
- Provide impact analysis during the 81st session.
- Continue to participate in Chronic Kidney Disease Task Force - HB1373, 80th Regular Session
- Kidney Health Care Program rules will be opened for the quadrennial review and revision

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: 512/458-7150
Toll-free: 800/222-3986
Fax: 512/458-7162

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 TX 75244
972/503-3215
<http://www.esrdnetwork.org/>

United States Renal Data System

914 South 8th Street
Suite S-206
Minneapolis MN 55404
1-888-99USRDS
<http://www.usrds.org>