

The Kidney Health Care Program Fiscal Year 2006 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), or chronic kidney failure, is a permanent and irreversible kidney disease that requires the use of renal replacement therapy (kidney dialysis or transplantation) to maintain life. It usually results from years of chronic kidney disease caused by inherited conditions such as diabetes and/or hypertension, or an injury to the kidneys. End-stage renal disease is the final slow deterioration of the kidneys, a process known as nephropathy.

Before Congress created the Medicare Chronic Renal Disease (CRD) Program in 1973, persons suffering from ESRD had limited options available for paying the expenses associated with renal replacement therapy. Because of this, many did not get treatment and death resulted. 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 and has increased the number of ESRD patients. However, patients still pay 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 treatments. While Medicare Part D drug coverage helps with drug expenses, the costs of drugs during the "gap" (also known as the "doughnut hole"), as well as Part D premium payments, can be difficult to pay. (Medicare Part D is the portion of Medicare which pays prescription drug benefits for Medicare-enrolled persons.) In addition, Medicare does not

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

provide reimbursement 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.² In FY 2006, there were 3,954 individuals approved to receive benefits.³ Nationally, 352,868 patients received renal replacement therapy in calendar year 2004.⁴ In Texas, 35,710 patients received renal replacement therapy in the same period.⁵ During the Program's 33-year existence, approximately 88,000 KHC Program applicants have been approved to receive benefits for access surgery, dialysis, 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;
- 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 chronic 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.

² Texas Department of State Health Services, *Kidney Health Care Program 2005 Annual Report*, p. 2.

³ Texas Department of State Health Services, The Automated System of Kidney Information Tracking (ASKIT) Public Reports, Annual Reports, FY 2006 Actives, as of October 16, 2006, and accessed on that date.

⁴ The United States Renal Data System, "Précis: Background on the US ESRD Program," *The 2006 Annual Report*. (Calendar Year 2004 data), p. 20. The United States Renal Data System Web site: www.usrds.org/2006/pdf-OB_precis_06.pdf (accessed December 12, 2006). *Note*: Figure is the sum of the point prevalence for dialysis (335,963) plus the total transplants for the period (16,905) 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, *2004 Annual Report*, ESRD Network of Texas, Inc., #14. Web site: <http://www.esrdnetwork.org/> (accessed December 12, 2006).

⁶ Texas Department of State Health Services, Cumulative tally of approved applicants, FY 1974-FY 2006, from previous KHC Program annual reports.

Active Recipients

Currently, the KHC Program has 16,929 active recipients (defined as those people who have received any benefits during FY 2006).⁷ Active recipients ages 45-74 years account for more than two-thirds of all active recipients, but less than one-third of the total Texas population. More than 40 percent of all active recipients are Hispanic. No racial/ethnic group is more overrepresented 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 (29.2 percent versus 11.3 percent respectively). Males in the active recipient category comprise 60.3 percent of this group; females comprise 39.7 percent of the group. In relation to gross annual income, data show that 70.5 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 2006 data for approved applicants show some patterns similar to those for active recipients. Approved applicants ages 45-74 account for the greatest proportion of approved applicants. Hispanics again account for the largest proportion of approved applicants (40 percent). African-Americans are overrepresented in this group as well, being nearly triple the proportion of African-Americans in the Texas population (28.1 percent versus 11.3 percent respectively). Males account for 57.2 percent of all persons in this group. Females account for 42.8 percent of approved applicants. (Table 1, p. 4.)

⁷ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, FY 2006 Actives*, as of October 16, 2006, and accessed on that date.

Table 1: Kidney Health Care Program FY 2006 Active Recipients, Approved Applicants, and Projected 2006 Texas Population Data⁸

	Active Recipients		FY 2006 Approved Applicants		Projected 2006 Texas Population (in millions)	
TOTALS	16,929	100%*	3,954	100.00%	23.5	100.0%
Age Group						
0-20	43	0.3%	31	0.8%	7.4	31.7%
21-34	977	5.8%	301	7.6%	4.9	21.1%
35-44	2,092	12.4%	528	13.4%	3.5	14.8%
45-54	3,737	22.1%	940	23.8%	3.2	13.5%
55-64	4,558	26.9%	1,026	25.9%	2.2	9.2%
65-74	3,566	21.1%	716	18.1%	1.3	5.3%
75+	1,956	11.6%	412	10.4%	1.1	4.5%
Gender						
Female	6,720	39.7%	1,694	42.8%	11.7	50.0%
Male	10,209	60.3%	2,260	57.2%	11.7	50.0%
Race/Ethnicity						
African- American	4,941	29.2%	1,113	28.1%	2.7	11.3%
Hispanic	6,951	41.1%	1,583	40.0%	8.5	36.1%
White	4,622	27.3%	1,160	29.3%	11.4	48.6%
Other**	415	2.5%	98	2.5%	0.9	3.9%
Gross Annual Income						
Under \$20,000	11,931	70.5%				
\$20,000-\$29,000	2,586	15.3%				
\$30,000-\$39,000	1,334	7.9%				
\$40,000-\$49,999	683	4.0%				
\$50,000-\$59,999	395	2.3%				
\$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.*

Fiscal Year 2006 Program Benefits

⁸ *Data Sources for Table:*

Active Recipients—Texas Department of State Health Services, *Public Reports, Annual Reports, FY 2006 Actives*, ASKIT, as of October 16, 2006.

Approved Applicants—Texas Department of State Health Services, *FY 2006 Approved Applicants, Kidney Health Care Program, Public Reports, Annual Reports, FY 2006 Actives*, ASKIT, as of December 12, 2006.

Projected 2006 Texas Population (in millions)—Texas Department of State Health Services, Family Health Research Program Development, Title V and Health Resources Development, November 2006. From Texas A&M State Data Center, projected Texas population figures based on unadjusted calendar year 2000 census figures.

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, and assistance with premium payments in certain instances.

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. Reimbursement 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. Program recipients are responsible for a \$6 co-pay applied to each product purchased. In FY 2006, there were 11,038 KHC Program recipients who received drug benefits at an average cost per recipient of \$992 per year.^{9 10}

Assistance with Medicare Part B Immunosuppressive Drugs

The KHC Program is the secondary payer for Medicare Part B immunosuppressive drugs for kidney transplant patients. This benefit is subject to the limits for the KHC Program drug benefit (four drugs from the KHC drug formulary per recipient per month).

Medicare Part D Enrollment

To receive assistance with prescription drug costs and Part D premium assistance, KHC Program recipients must be enrolled on a Medicare Part D drug plan. KHC recipients were required to enroll with a Medicare Part D drug plan during the Part D open enrollment period (November 15, 2005 to May 15, 2006). From August 2005, through April 2006, the KHC Program worked through an interagency contract with the Texas Department of Aging and Disability Services (DADS) and Area Agencies on Aging to assist clients with enrollment decisions and plan options.

Medicare Part D Prescription Coordination of Benefits

The KHC Program assists with drug costs for Medicare Part D deductibles, co-insurance amounts, and Part D "gap" drug expenditures. The KHC Program also provides coverage for

⁹ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006, Quarterly Performance Measure Data*, from Nvision, the Health and Human Services Statistical Analysis System (HSSAS), as of December 7, 2006, and accessed on that date.

¹⁰ Texas Department of State Health Services, *FY 2006 Cost Data, Quarterly Performance Measure Data*, from Nvision, HSSAS as of December 7, 2006, and accessed on that date.

pharmaceutical products excluded from Medicare Part D, such as over-the-counter drugs and vitamins.

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.

Medicare Part D Premium Assistance

In FY 2006, as an interim process, the KHC Program began reimbursing recipients for any Medicare Part D premiums that recipients had paid to their Part D plan providers. Beginning February 1, 2007, the KHC Program will pay the Part D plan providers directly for the recipients' premiums. Premium benefit limits are capped at a maximum of \$35 per month per recipient, less any Medicare subsidies. In FY 2006, there were 1,219 recipients who received Part D premium payment assistance at an average annual cost of \$126.^{11 12}

Transportation

Under the authority of House Bill 2292, 78th Legislature, Regular Session, 2003, the Texas Department of Transportation (TxDOT) assumed responsibility for the provision of transportation services for program clients. The KHC Program processes travel claims for the travel benefit using funds provided through a Health and Human Services Commission (HHSC) interagency agreement with TxDOT.

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 2006, there were 15,701 KHC Program recipients who received a travel benefit for an average cost per recipient of \$267 per year.^{13 14}

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.

¹¹ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006, Quarterly Performance Measure for Year 2006*, Premium Unduplicated Client Count from Medicare Premium Payment file, (Excel), Budget, as of December 4, 2006.

¹² Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006, Quarterly Performance Measure for Year 2006*, FY 2006 Unduplicated Client Count from Quarterly Performance Measure Data, as of December 7, 2006, and accessed on that date. *Medicare Premium Expenditures*, Nvision, HSSAS, as of December 7, 2006.

¹³ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006*, ASKIT, as of December 7, 2006, and accessed on that date.

¹⁴ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006*, ASKIT, as of December 7, 2006, and accessed on that date. *FY 2006 Cost Data* from Nvision, HSSAS, captured on December 7, 2006.

Access surgery is defined as “the surgical procedure which creates or maintains the access site necessary to perform dialysis.”¹⁵ 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 2006, there were 793 KHC Program recipients who received a medical benefit for an average cost per recipient of \$2,725 per year.^{16 17}

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.

Fiscal Year 2006 Client Services Expenditures

Client services expenditures provided to KHC Program recipients are reported in Table 2 below. More than 60 percent of all client services expenditures were attributed to drug costs. Drug expenditures accounted for \$11.1 million.¹⁸ There were 150,006 claims for an average cost per claim of \$73.^{19 20} Of the remaining FY 2006 client services expenditures, travel services accounted for \$4.2 million (24.0 percent of total expenditures) and medical services accounted for \$2.2 million (12.4 percent of expenditures).²¹

Table 2: Fiscal Year 2006 Client Services Expenditures

Client Services	Expenditures in Millions	Percent of Total
<i>Drugs*</i>	\$11.1	63.6%
<i>Travel</i>	\$4.2	24.0%
<i>Medical</i>	\$2.2	12.4%
Total	\$17.5	100.0%

**Note: Includes premiums paid for Medicare Part D drug coverage benefits.*

¹⁵ Texas Administrative Code, Title 25, Part 1, Chapter 61, Subchapter A, Section 61.1(b) (1).

¹⁶ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006*, ASKIT, as of December 7, 2006, and accessed on that date.

¹⁷ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Provided Services, FY 2006*, ASKIT, as of December 7, 2006, and accessed on that date. *Cost Data from FY 2006*, ASKIT, as of December 7, 2006, and accessed on that date.

¹⁸ Texas Department of State Health Services, *FY 2006, Quarterly Performance Measure FY 2006*, Nvison, HSSAS, as of December 7, 2006, and accessed on that date.

¹⁹ Texas Department of State Health Services, *FY 2006 Unduplicated Recipients by Month and Service, Drug and Travel Claims, Quarterly Performance Measure Data*, as of September 20, 2006 (accessed December 7, 2006).

²⁰ Texas Department of State Health Services, *FY 2006 Unduplicated Recipients by Month and Service, Drug and Travel Claims, Quarterly FY 06 Performance Measure Data*, Nvison, HSSAS, as of September 20, 2006, and accessed December 7, 2006.

²¹ Texas Department of State Health Services, ASKIT, as of December 7, 2006, and accessed on that date.

Fiscal Year 2006 Accomplishments

During FY 2006, the KHC Program achieved the following goals:

- Consolidation of the KHC Program with the Children with Special Health Care Needs (CSHCN) Services Program into the Purchased Health Services Unit;
- Completion of the implementation and integration of the First Health, HHSC contractor for Vendor Drug Program's drug claims processing, drug claim processing system, effective January 1, 2006;
- Completion of the rollout for the Medicare Part D Enrollment and Education Grant with the DADS, which provided education and outreach activities to KHC Program recipients;
- Development of program rules, policies, and procedures to coordinate Medicare Part D drug benefits with the KHC Program;
- Implementation of payment of Medicare Part D premiums for eligible KHC Program recipients;
- Implementation of the 20 percent co-insurance payment for immunosuppressive drugs under Medicare Part B.

Fiscal Year 2007 Program Goals

The KHC Program's goals for FY 2007:

- Complete the roll-out of a new version of the Automated System of Kidney Information Tracking (ASKIT) data and claims system;
- Roll-out training for the new version of the ASKIT system;
- Complete enrollment of all Medicare Part D prescription drug plans as approved KHC Program participating providers;
- Implement an automated batch premium payment process to directly pay Medicare Part D premiums to the Part D prescription plan providers;
- Continue to monitor and analyze the impact of Medicare Part D on the KHC Program and its recipients; and
- Monitor legislative activities, including analyzing legislation related to kidney health services, organ donation, and other health services.

Availability of Additional Data

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

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

Department of State Health Services
Purchased Health Services Unit
The Kidney Health Care Program
Mail Code; 1938; Department ID: G31000
1100 West 49th Street
Austin, Texas 78756
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)

14114 Dallas Parkway
Suite 660
Dallas TX 75254
972/503-3215
<http://www.esrdnetwork.org/>

United States Renal Data System

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