

The Kidney Health Care Program Fiscal Year 2011 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 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. 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. 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. 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 some expenses, the KHC Program assists with pharmaceutical 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% of their drug costs up to a certain dollar amount. Once that dollar limit has been met, the client moves into the next Medicare benefit level. In addition, Medicare does not provide

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

reimbursement for travel associated with ESRD treatment. For rural residents in Texas with ESRD, travel to receive 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 2011, there were 3,748 individuals newly-approved to receive benefits.³ Nationally, 416,597 patients received renal replacement therapy in calendar year 2009 according to the latest national statistics.⁴ In Texas, 48,006 patients received renal replacement therapy in calendar year 2010.⁵ During the KHC Program's 38-year existence, approximately 108,000 persons have been approved to receive benefits for access surgery needed for dialysis, 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 Texas resident and provide proof of 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.

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 Reports, Approved, FY 2011 Approvals* as of August 31, 2011, accessed on December 05, 2011.

⁴ The United States Renal Data System, "Volume 2 Précis: Background on the US ESRD Program," *The 2011 Annual Report*. (Calendar Year 2011 data), p.151. The United States Renal Data System Web site:

http://www.usrds.org/2011/pdf/v2_00_precis_11.pdf (accessed October 24, 2011). *Note:* Figure is the sum of the point prevalence for dialysis (398,861) plus the total transplants for the period (17,736) 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, *2010 Annual Report*, ESRD Network of Texas, Inc., #14. Web site:

<http://www.esrdnetwork.org/assets/pdf/annual-report/net14annualreport2010.pdf> (accessed October 24, 2011).

⁶ Texas Department of State Health Services, *Cumulative tally of approved applicants, FY 1974-FY 2011*, from previous KHC Program annual reports.

Active Clients

As of August 31, 2011, the KHC Program had 18,694 active clients.⁷ An active client is defined as anyone who was eligible for KHC benefits as of August 31, 2011. 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 age 45-74 years account for more than 73 percent of all active clients, but less than 30 percent of the total Texas population. More than 43 percent of all active clients are Hispanic. No racial/ethnic group, however, is more highly represented in the active client population than African-Americans. The proportion of active participants in this group is nearly triple the proportion of African-Americans in the Texas population (29.2 percent versus 11.6 percent, respectively). Males in the active client category comprise 59.2 percent of this group; females comprise 41.8 percent of this group. In relation to gross annual income, data show that 62.9 percent of active clients have a gross annual income below \$20,000 (Table 1).

Approved Applicants

Approved applicants are people with ESRD who became newly eligible for KHC Program benefits during the fiscal year being reported. FY 2011 data for approved applicants show patterns similar to those for active clients. Persons age 45-74 account for the greatest proportion of approved applicants. Hispanics again account for the largest proportion of approved applicants (42.3 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 African-Americans in the Texas population (27.5 percent versus 11.6 percent, respectively). Males account for 57.4 percent of all persons in this group. Females account for 42.6 percent of approved applicants (Table 1).

⁷ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2011 Actives* as of August 31, 2011, accessed on December 05, 2011.

Table 1: Kidney Health Care Program FY 2011 Active Clients, Approved Applicants, and Projected 2011 Texas Population Data⁸

	Active Clients		Approved Applicants		Projected 2011 Texas Population (in millions)	
	Total	Percent of Total	Total	Percent of Total	Total	Percent of Total
TOTALS	18,694	100.0%	3,748	100.0%	25.9	100.0%
Age Group						
0-20	32	0.2%	21	0.6%	7.7	29.7%
21-34	875	4.7%	263	7.0%	5.0	19.3%
35-44	2,256	12.1%	517	13.8%	3.8	14.7%
45-54	4,171	22.3%	900	24.0%	3.5	13.5%
55-64	5,620	30.1%	1,123	30.0%	2.7	10.4%
65-74	3,918	21.0%	616	16.4%	1.5	5.8%
75+	1,822	9.7%	308	8.2%	1.1	4.2%
Gender						
Female	7,634	40.8%	1,596	42.6%	13.0	50.2%
Male	11,060	59.2%	2,152	57.4%	12.9	49.8%
Race/Ethnicity						
African-American	5,451	29.2%	1,029	27.5%	3.0	11.6%
Hispanic	8,164	43.7%	1,585	42.3%	10.2	39.4%
White	4,560	24.4%	1,017	27.1%	11.5	44.4%
Other**	519	2.8%	117	3.1%	1.2	4.6%
Gross Annual Income						
Under \$20,000	11,751	62.9%				
\$20,000-\$29,000	3,376	18.1%				
\$30,000-\$39,000	1,839	9.8%				
\$40,000-\$49,999	1,098	5.9%				
\$50,000-\$59,999	630	3.4%				

*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.

⁸ Data Sources for Table:

Active Clients—Texas Department of State Health Services, *Public Reports, Annual Reports, FY 2011 Actives, ASKIT* as of August 31, 2011, accessed on December 05, 2011.

Approved Applicants—Texas Department of State Health Services, *FY 2011 Approved Applicants, Kidney Health Care Program, Public Reports, Annual Reports, FY 2011 Approved, ASKIT* as of August 31, 2011, accessed on December 05, 2011.

Projected 2011 Texas Population (in millions)—Texas Department of State Health Services, Office of Program Decision Support, RB. October 31, 2011. From Population Estimates and Projections Program, the University of Texas at San Antonio, October 2011.

Fiscal Year 2011 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. 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 KHC Program provides benefits relating to three service categories: drugs, transportation, and medical services. Information relating to these services is as follows:

Drugs

The KHC Program drug benefit is available to all clients, 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 reimbursable drugs. The KHC Program manages the formulary (the list of covered drugs) used by the program. Clients must obtain their medication from a KHC Program-participating pharmacy.

In FY 2011, there were 6,994 KHC Program clients⁹ who received prescription drug benefits, not including prescription drug premium payments, at an average cost per client of \$1,291.¹⁰ There was a \$74 over-the-year decrease in the average cost per client between FY 2010 and FY 2011. The decrease is due to an increase in the number of clients served, coupled with continued availability and use of generic drug products.

Standard Drug Benefit

The standard drug benefit is available to all KHC Program clients who do not have private/group health insurance or Medicare Part D. This benefit is limited to four drugs from the KHC Program drug formulary per client per month with a \$6 co-pay applied to each product purchased. The benefits also include coverage of immunosuppressive drugs for kidney transplant clients whose Medicare coverage has ended 36 months post transplant.

⁹ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2011 Actives* as of August 31, 2011, accessed on December 05, 2011.

¹⁰ Texas Department of State Health Services, *FY 2011 Client Services Expenditures, HSSAS*, as of August 31, 2011, for claims processed by November 30, 2011.

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 clients to have their Medicare Part D benefits coordinated by the KHC Program, they must be enrolled in a Texas Stand-Alone drug plan. Stand-Alone drug plans only provide prescription drug coverage and no other services.

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 part of their enrollment and ongoing participation with the KHC Program.

In FY 2011, there were 14,181 clients enrolled in a Part D Stand-Alone drug plan. Of these, 10,732 clients (76 percent) received some amount of subsidy from the Social Security Administration, while the remaining 3,449 clients did not qualify for subsidy.¹¹

Medicare Part D Premium Assistance

The KHC Program has executed agreements with all 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 FY 2011, there were 9,562 clients¹² who received Part D premium payment assistance at an average annual cost of \$188.¹³

¹¹ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, FY 2011*, Unduplicated Client Count from CMS enrollment file (Excel), as of August 31, 2011, and accessed on December 05, 2011.

¹² Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2011 Actives* as of August 31, 2011, accessed on December 05, 2011.

¹³ Texas Department of State Health Services, *FY 2011 Client Services Expenditures, HSSAS*, as of August 31, 2011, for claims processed by November 30, 2011.

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 round-trip mile, 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 FY 2011, there were 16,450 KHC Program clients¹⁴ who received a travel benefit for an average cost per client of \$271 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, which include hospital, surgeon, assistant surgeon, and anesthesiology charges.

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. The KHC Program has contracts with over 400 dialysis facilities.

Access surgery is defined as "the surgical procedure which creates or maintains the access site necessary to perform dialysis."¹⁶ 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 2011, there were 661 KHC Program clients¹⁷ who received a medical benefit for an average cost per client of \$3,112 per year.¹⁸

Premium Payments for Medicare Parts A and B

The KHC Program pays for premiums for Medicare Parts A and B 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

¹⁴ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2011 Actives* as of August 31, 2011, accessed on December 05, 2011.

¹⁵ Texas Department of State Health Services, *FY 2011 Client Services Expenditures, HSSAS*, as of August 31, 2011, for claims processed by November 30, 2011.

¹⁶ Texas Administrative Code, Title 25, Part 1, Chapter 61, Subchapter A, Section 61.1(b) (1).

¹⁷ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2011 Actives* as of August 31, 2011, accessed on December 05, 2011.

¹⁸ Texas Department of State Health Services, *FY 2011 Client Services Expenditures, HSSAS*, as of August 31, 2011, for claims processed by November 30, 2011.

Security Administration; and (3) not eligible for Medicaid payment of Medicare premiums.

Fiscal Year 2011 Client Service Expenditures

Client service expenditures provided to KHC Program clients are reported in Table 2. Drug expenditures accounted for \$9 million or 52 percent of all client service expenditures. There were 92,823 drug claims for an average cost per claim of \$97. Of the remaining FY 2011 client service expenditures, Part D Premiums accounted for \$1.8 million, or 10 percent of expenditures; travel services accounted for \$4.5 million, or 26 percent of expenditures; and medical services accounted for \$2.1 million, or 12 percent of expenditures.¹⁹

Table 2: Fiscal Year 2011 Client Service Expenditures²⁰

Client Services	Expenditures in Millions	Percent of Total
<i>Drugs</i>	9.0	52%
<i>Part D Premiums</i>	1.8	10%
<i>Travel</i>	4.5	26%
<i>Medical</i>	2.1	12%
Total	17.4	100%

¹⁹ Texas Department of State Health Services, *FY 2011 Client Services Expenditures, HSSAS*, as of August 31, 2011, for claims processed by November 30, 2011.

²⁰ Texas Department of State Health Services, *FY 2011 Client Services Expenditures, HSSAS*, as of August 31, 2011, for claims processed by November 30, 2011. Numbers are rounded.

Fiscal Year 2011 Accomplishments

During FY 2011, the KHC Program achieved the following goals:

- Successfully changed drug claims vendor, effective January 1, 2012, implementing better coordination of benefits controls.
- Initiated Phase II of Automation Systems Reengineering to develop consolidated automation systems changes for Purchased Health Services Unit programs –Kidney Health Care, Children with Special Health Care Needs, and the Hemophilia Assistance Program. Changes were made to gain functional efficiencies for eligibility determination, claims processing, provider enrollment, and reporting.
- Developed and implemented training quality tracking tool to track ASKIT web training and user performance.
- Continued Chronic Kidney Disease Task Force participation.
- Continued to participate in workgroups and program impact analysis of health care reform (HCR), health care information technology (HIT), health care information exchange (HIE), and The International Statistical Classification of Diseases and Related Health Problems, 10th Revision (ICD-10) conversion.
- Participated in developing program requirements to meet new Medicare Part D pharmacy claims processing.

Fiscal Year 2012 Program Goals

The KHC Program's goals for FY 2012 include:

- Finalizing consolidated automation system requirements and beginning design and development work.
- Implementing new drug claims processing for Medicare Part D which will inform the program when the client is in the deductible, cost sharing, and gap coverage periods.
- Continuing Chronic Kidney Disease Task Force participation.
- Implementing customer service survey to assess quality of service delivery for KHC clients and providers.
- Finalizing plans to implement any necessary program and systems changes resulting from HCR, HIE, HIT, and ICD-10 conversion.

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>