
Program & Fiscal Information

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 April 1973 under the Texas Department of Health, now the Department of State Health Services (DSHS). The program was later recodified under 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. In doing so, the Legislature recognized the State's "responsibility to allow its citizens to remain healthy without being pauperized . . ." by the extremely expensive treatment which is necessary for those suffering from this disease. This annual report is submitted in compliance with the Texas Health and Safety Code, Chapter 42, Section 16.

History

End-Stage Renal Disease (ESRD), or chronic kidney failure, is the stage of permanent and irreversible kidney disease that requires the use of renal replacement therapy (kidney dialysis or transplantation) to maintain life. ESRD is usually the result of years of chronic kidney disease caused by inherited conditions, medical conditions such as diabetes and/or hypertension, or an injury to the kidneys. ESRD is the final stage of a slow deterioration of the kidneys, a process known as nephropathy.

Prior to 1973, persons suffering from ESRD had very few options available to them to treat this disease. Death was the most common outcome because few patients could afford the tremendous expense associated with renal replacement therapy.

In 1973, Congress created the Chronic Renal Disease (CRD) Program under Medicare to assist ESRD patients with the financial burden associated with this disease. Under the CRD Program, Medicare covers allowable medical costs for dialysis and transplant patients who are fully or currently insured under Social Security. This has made treatment more accessible and has increased the number of ESRD patients receiving therapy. Today, more than 300,000 patients are receiving ESRD therapy nationally - more than **30,000** of whom are Texas patients.

Despite the Medicare CRD Program, the impact and cost of ESRD on Texans is great. Most dialysis patients do not receive any medical benefits from Medicare for a three-month period after the initiation of dialysis, and Medicare does not offer coverage for most drug and travel expenses associated with the treatment of ESRD, with the exception of immunosuppressive drugs for certain Medicare-eligible transplant patients. To help ease the financial burden on people suffering from ESRD, the Texas Legislature created the Kidney Health Care (KHC) Program. The primary purpose of KHC is to "direct the use of resources and to coordinate the efforts of the State in this vital matter of public health."

The KHC Program has grown from 819 approved applicants in FY74 to 24,239 eligible recipients in FY04. During these 31 years, nearly 80,000 KHC recipients have been approved to receive financial assistance for access surgery, dialysis treatments, hospitalization, medication, and transportation costs incurred in the treatment of ESRD.

Fiscal Year 2004 Accomplishments

During Fiscal Year 2004, the Kidney Health Care Program successfully met the following program goals:

- ◆ Provided training to 85 KHC dialysis facilities and 79 participants on the Automated System for Kidney Information Tracking (ASKIT) web-system.
- ◆ Provided information and educational programs to the public on kidney disease and organ donation/transplantation.
- ◆ Provided program analyses and planning for consolidation activities mandated by House Bill 2292, 78th Texas Legislature, Regular Session.
- ◆ Administered grant awards for organ donor awareness and education programs for the Anatomical Gift Educational Program (AGEP).
- ◆ Began the analysis of the impact of the Medicare Improvement and Modernization Act of 2003 (Medicare Part D) on the KHC Program.
- ◆ Re-enrolled KHC providers using the KHC provider agreement.
- ◆ Finalized and adopted new KHC rules, implementing the eligibility criteria that Medicaid eligibles with full Medicaid benefits are no longer eligible for the KHC program.
- ◆ Began the analysis and planning of the integration and consolidation of administrative functions for the KHC and Children with Special Health Care Needs Services (CSHCN) Programs. Note: The KHC and CSHCN Programs became the Purchased Health Services Unit of the Department of State Health Services on September 1, 2004.

Fiscal Year 2005 Program Goals

Consistent with the program's efforts to maintain continuous quality improvements, the following goals were developed for Fiscal Year 2005:

- ◆ Promote organ donor education through the AGEP, including awarding funds to education providers, implementing a State Employee Organ Donor Awareness Campaign, and providing information and resources on the laws and procedures related to organ donation to attorneys and medical and nursing schools.
- ◆ Provide transition planning for the transfer of transportation services from KHC and the Health and Human Services Commission (HHSC) to the Texas Department of Transportation (TxDOT), as mandated by House Bill 2292.
- ◆ Promote and encourage the use of Medicare Discount Drug Cards and Transitional Assistance to program recipients and social workers.
- ◆ Analyze and develop program plans for the implementation of Medicare Part D benefits.
- ◆ Develop program rules, policies, and procedures to coordinate KHC benefits and Medicare Part D drug benefits.
- ◆ Promote, educate, coordinate, and assist KHC Medicare beneficiaries in enrolling in Part D plans through direct and contracted education efforts.
- ◆ Complete the functional integration of the KHC and CSHCN Programs.

Program Eligibility

An applicant must meet all of the following requirements to receive Kidney Health Care benefits:

- ◆ Have a diagnosis of ESRD;
- ◆ Be a resident of the State of Texas and provide documentation of Texas 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;
- ◆ Per KHC rule change effective July 2004, be ineligible for full Medicaid benefits; and
- ◆ Per KHC rule change effective July 2004, have a gross income of less than \$60,000 per year.

Fiscal Year 2004 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 benefits are subject to budget limitations and to the reimbursement rates established by the DSHS. Specific benefits include payment for allowable drugs, transportation, and medical expenses incurred as a direct result of ESRD treatment.

Drugs

This benefit is available to all recipients, except recipients who are eligible for drug coverage under

a private/group health insurance plan, or to those receiving full Medicaid prescription drug benefits. Reimbursement is limited to four prescriptions per month for recipients. Reimbursement is also limited to KHC allowable drugs. The KHC program recommends, and the Assistant Commissioner for Family and Community Health Services approves which drugs are covered by the program. All KHC recipients are required to obtain their medications from a KHC participating pharmacy. In FY04, 12,299 program recipients received a drug benefit from KHC, for an average cost per recipient of \$1,142 per year.*

Transportation

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. Reimbursement is limited to a \$200 monthly maximum. Recipients who are eligible for transportation benefits under the Medicaid Medical Transportation Program are not eligible to receive KHC transportation benefits. In FY04, 15,385 program recipients received a travel benefit from KHC, for an average cost per recipient of \$269 per year.* As a result of House Bill 2292, on September 1, 2003, all DSHS transportation services were transferred to TxDOT. Currently, KHC is continuing to process travel claims for this benefit under an HHSC Interagency Agreement with TxDOT.

Medical

KHC provides limited payment for ESRD-related medical services. Allowable services include inpatient and outpatient dialysis treatments and medical services required for access surgery, which include hospital, surgeon, and anesthesiology charges.

* Data as of 11/05/04, ASKIT.

Access Surgery. Access surgery is a procedure necessary for the initiation of dialysis treatments. Charges for hospitalization, surgeon and assistant surgeon fees, as well as anesthesiologist fees are covered. Because this surgery is typically done before the patient qualifies for ESRD benefits through Medicare, this benefit can be covered retroactively, up to 180 days before the date of KHC eligibility. Reimbursement is limited to \$4,100 for each in-patient access surgery.

In FY04, 775 program recipients received a medical benefit from KHC, for an average cost per recipient of \$2,081 per year.*

Medicare Premium Payment

KHC will pay the premium for Medicare parts A and B on behalf of KHC 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.

* Data as of 11/05/04, ASKIT.

The following limitations apply to KHC benefits:

- ◆ KHC is the payor of last resort. All third parties must be billed prior to KHC.
- ◆ Claims must be received by KHC by the applicable filing deadlines.
- ◆ KHC benefits are limited to recipients whose gross income is less than \$60,000 per year.

Fiscal Year 2004 Recipient Income

Table 1 reports the income of FY04 program recipients. In July 2004, KHC began using gross income versus adjusted gross income as the income eligibility criteria per a KHC rule change. Table 1 data therefore includes both the adjusted gross and gross income of KHC recipients. As in previous years, the largest percentage of recipients (77.4%) are those with an income of less than \$20,000 annually.

Table 1: FY04 Recipient Income*

Income	# Recipients	% Recipients
\$0-19,999	18,757	77.4%
\$20,000-29,999	2,749	11.3%
\$30,000-39,999	1,525	6.3%
\$40,000-44,999	467	1.9%
\$45,000-49,999	327	1.3%
\$50,000-54,999	256	1.1%
\$55,000-59,999	158	0.7%
	24,239	100%

*As of 8/31/04, ASKIT.

Fiscal Year 2004 Client Services Expenditures

Client services expenditures by program benefit provided to KHC recipients are reported in Table 2 below. Expenditures for drugs used in the treatment of ESRD continue to account for the largest expenditure, comprising \$14 million, or 71% of total FY04 client services expenditures. Of the remaining FY04 client services expenditures, travel accounted for 21% and medical services accounted for 8%.

The current KHC Reimbursable Drug List includes 38 therapeutic categories of medications. In FY04, the top five drug expenditures by

therapeutic category were (1) immunosuppressants, (2) phosphate binders, (3) cardiovascular/antihypertensive drugs, (4) hypoglycemic (insulin) agents, and (5) antihyperlipidemics.

The total number of FY04 drug claims was 249,157 for a total drug expenditure of \$14 million. This represented an average cost per drug claim of \$56.35.

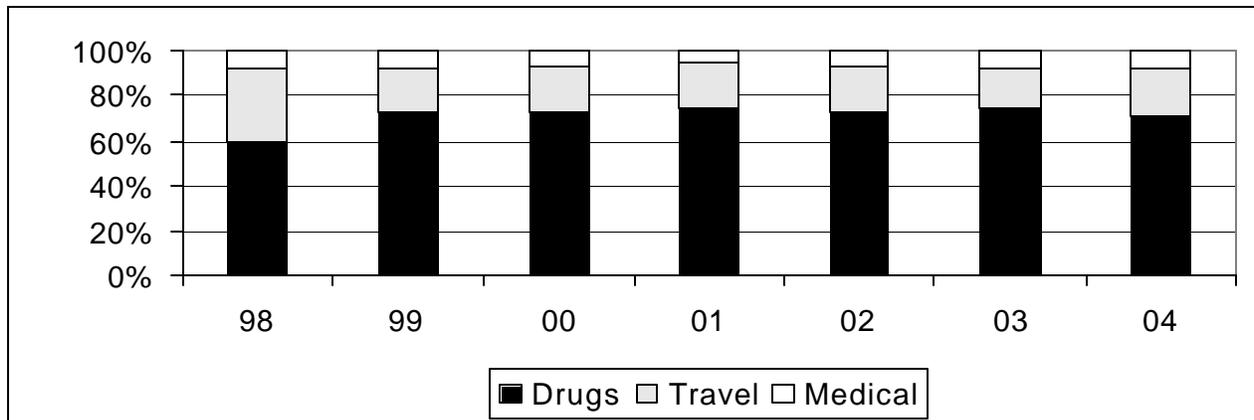
In 1999, the Texas Legislature required KHC to develop a voluntary drug manufacturer rebate program. Presently, 181 manufacturers have a rebate agreement with KHC. Rebates collected in FY04 totaled \$1.9 million.

Table 2: Fiscal Year 2004 Client Services Expenditures

Client Services		Expenditures
	Drugs	\$ 14,042,110
	*Travel	4,146,120
	Medical	1,612,400
Total		\$ 19,800,630

* Texas Department of Transportation funds.

Figure 1: Client Services Expenditures, FY98-FY04



Expenditures as of 11/05/04, ASKIT. These numbers may vary for up to a year due to the 95-day claim filing deadline, reconciliation of claims, and claims adjustments for appeals.

Client Services Expenditures and Unduplicated Recipients

“Unduplicated recipients” are recipients who used a KHC benefit in the fiscal year being reported. Table 3 below and Figure 2 on page 7 provide a historical view of the ESRD population served by KHC and compares that growth to the total budget for KHC and the amount expended on client services. Client services expenditures include the total amount expended on drug, travel, and medical reimbursements provided to KHC recipients during the fiscal year being reported.

In FY85, KHC expended \$15 million to provide services to 5,774 unduplicated recipients, for an average yearly expenditure per recipient of \$2,602, whereas in FY04, KHC expended \$19.8 million to provide services to 18,407 unduplicated recipients, for an average expenditure per recipient of \$1,076.

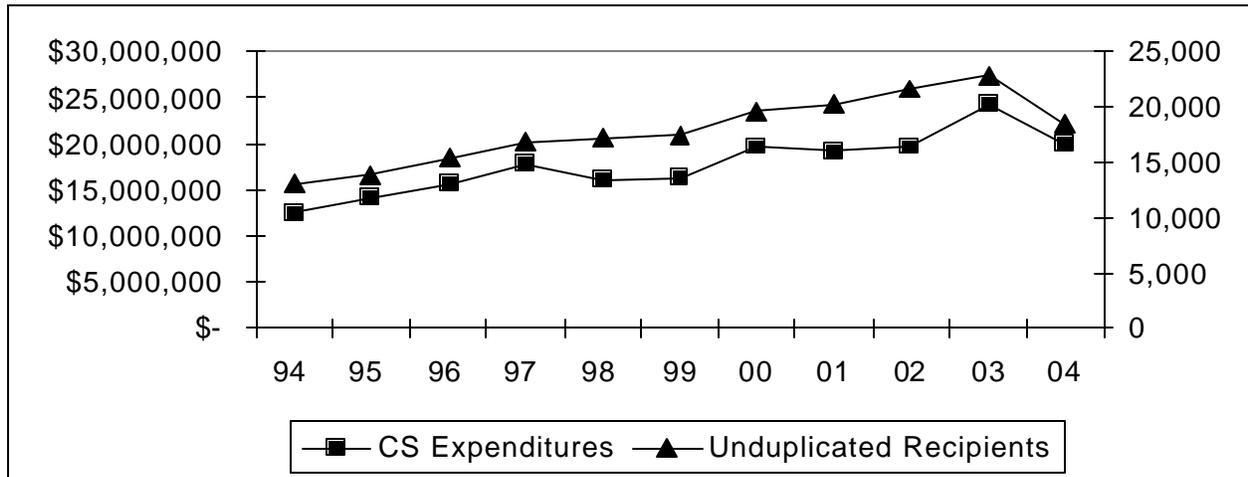
As seen in Table 3, KHC served almost 6,000 unduplicated recipients in FY85, while in the mid 1990s, that number exceeded 13,000. In FY04, the number of unduplicated recipients increased to 18,407. Since 1985, client services expenditures have increased by 32%, while the number of unduplicated recipients served increased by 219%. KHC is projecting a 5% increase in the number of recipients to be served in FY05.

Table 3: Client Services Expenditures and Unduplicated Recipients

Fiscal Year	KHC Total Budget	Client Services Expenditures	# Unduplicated Recipients	Expenditure per Recipient
85	\$ 15,737,248	\$ 15,022,623	5,774	\$ 2,602
86	9,548,438	8,997,391	6,377	1,411
87	9,969,953	9,436,721	7,044	1,340
88	9,973,442	9,300,774	7,987	1,164
89	9,986,208	9,374,638	9,034	1,038
90	11,321,450	10,631,499	10,016	1,061
91	12,349,838	11,608,723	10,928	1,062
92	13,165,309	12,251,598	11,966	1,024
93	13,055,598	12,022,519	12,547	958
94	13,588,910	12,561,567	12,964	969
95	15,353,705	14,104,412	13,726	1,028
96	17,240,127	15,688,022	15,442	1,016
97	18,940,127	17,758,278	16,737	1,061
98	18,240,127	16,159,865	17,270	936
99	18,850,152	16,400,628	17,456	940
00	20,408,274	19,748,957	19,553	1,010
01	20,477,876	19,102,669	20,170	947
02	22,280,505	21,792,983	21,602	1,009
03	26,560,106	24,321,630	22,833	1,065
04*	22,097,059	19,800,630	18,407	1,076

*Expenditures as of 11/5/04, ASKIT. These numbers may vary for up to a year due to the 95-day claim filing deadline, reconciliation of claims, and claims adjustments for appeals. No adjustments are made to prior year data.

Figure 2: Program Growth, FY94-FY04



Client Services Expenditures by Primary Diagnosis

Table 4 reports client services expenditures by primary diagnosis for FY04 recipients. As in previous years, KHC recipients with a primary

diagnosis of diabetes comprised the largest portion of client services expenditures (\$8.5 million). Of the remaining FY04 client services expenditures, recipients with a primary diagnosis of hypertension and glomerulonephritis comprised the second and third largest expenditure, at \$4.9 million and \$3.1 million, respectively.

Table 4: FY04 Client Services Expenditures by Primary Diagnosis

Primary Diagnosis	Client Services Expenditures	% Total Expenditures	# Unduplicated Recipients	Average Per Recipient
Diabetes	\$ 8,544,908	43.2%	8,753	\$ 976
Hypertension	4,861,995	24.6%	4,681	1,039
Glomerulonephritis	3,079,675	15.6%	2,276	1,353
Congenital Anomalies	798,050	4.0%	620	1,287
Connective Tissue Disease	393,600	2.0%	356	1,106
Blood Diseases	15,653	0.1%	25	626
HIV/AIDS	66,883	0.3%	65	1,029
Urinary System Disease	738,393	3.7%	746	990
Metabolic Diseases	46,092	0.2%	63	732
Malignant Neoplasm	110,383	0.6%	134	824
Unknown Etiology	849,290	4.3%	278	3,055
Other	295,708	1.4%	657	450

Expenditures as of 11/05/04, ASKIT. These numbers may vary for up to a year due to the 95-day claim filing deadline, reconciliation of claims, and claims adjustments for appeals.

Kidney Health Care

There are various factors that influence the costs for KHC recipients according to primary diagnosis, including the number of drugs prescribed, the costs of medications associated with certain primary

diagnoses and treatment modality, and the number and severity of co-morbid conditions within the patient population.

Client Services Expenditures by Treatment Status

account for the highest expenditure of \$13 million, or 66% of the FY04 client services budget.

Table 5 reports the distribution of client services expenditures by treatment status and includes the percent of total expenditures, the number of unduplicated recipients, and the average expenditure per recipient for FY04. While considerable variation exists in spending among treatment modalities, recipients using in-center hemodialysis

Table 5: FY04 Client Services Expenditures by Treatment Status

	Treatment Status	Client Services Expenditures	% Total Expenditures	# Unduplicated Recipients	Average per Recipient
In-Center	Hemodialysis	\$ 13,081,287	66.1%	15,104	\$ 866
	Peritoneal Dialysis	3,435	0.0%	13	264
	Self Hemodialysis	5,390	0.0%	5	1,078
In-Home	Continuous Ambulatory Peritoneal Dialysis	550,493	2.8%	683	806
	Continuous Cycling Peritoneal Dialysis	395,422	2.0%	451	877
	Hemodialysis	6,179	0.0%	12	515
Trans-plant	Living Donor	1,167,979	5.9%	607	1,924
	Cadaveric	4,590,445	23.2%	2,309	1,988

Expenditures as of 11/05/04, ASKIT. These numbers may vary for up to a year due to the 95-day claim filing deadline, reconciliation of claims, and claims adjustments for appeals.

Client Services Expenditures by Age Group

Table 6 reports the distribution of client services expenditures by age group and includes the percentage of total expenditures, the number of unduplicated recipients, and the average expenditure per recipient for FY04.

Among all age groups, the largest amount expended in FY04 was for recipients in the 55-64 age group (\$5.0 million). The amount expended on recipients in the 45-54 age group followed closely at \$4.8 million. Together, these two age groups comprised nearly one-half (49.6%) of FY04 client services expenditures.

Table 6: FY04 Client Services Expenditures by Age Group

Age Group	Client Services Expenditures	% Total Expenditures	# Unduplicated Recipients	Average per Recipient
0-20	\$ 67,749	0.3%	57	\$ 1,189
21-34	1,691,164	8.6%	1,183	1,430
35-44	3,104,563	15.7%	2,370	1,310
45-54	4,842,584	24.5%	4,205	1,152
55-64	4,977,075	25.1%	4,957	1,004
65-74	3,530,365	17.8%	4,314	818
75+	1,587,130	8.0%	2,493	637

Expenditures as of 11/05/04, ASKIT. These numbers may vary for up to a year due to the 95-day claim filing deadline, reconciliation of claims, and claims adjustments for appeals.