

The Kidney Health Care Program Fiscal Year 2009 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 such as 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 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 for

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.

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 2009, there were 3,940 individuals newly-approved to receive benefits.⁴ Nationally, 386,057 patients received renal replacement therapy in calendar year 2007 according to the latest national statistics.⁵ In Texas, 43,593 patients received renal replacement therapy in FY 2008.⁶ During the KHC Program's 36-year existence, approximately 100,000 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.⁷

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;
- Currently 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 Health, *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, 2009, and accessed on December 18, 2009.

⁵ The United States Renal Data System, "Volume 2 Précis: Background on the US ESRD Program," *The 2009 Annual Report*. (Calendar Year 2007 data), p. 4. The United States Renal Data System Web site:

http://www.usrds.org/2009/pdf/V2_00A_PRECIS_09.PDF (accessed December 18, 2009). *Note:* Figure is the sum of the point prevalence for dialysis (368,544) plus the total transplants for the period (17,513) 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, *2008 Annual Report*, ESRD Network of Texas, Inc., #14. Web site:

<http://www.esrdnetwork.org/assets/pdf/annual-report/nw14-annual-report2008.pdf> (accessed December 18, 2009).

⁷ Texas Department of State Health Services, *Cumulative tally of approved applicants, FY 1974-FY 2008*, from previous KHC Program annual reports.

Active Recipients

As of August 31, 2009, the KHC Program had 18,596 active recipients.⁸ (An active recipient is anyone that was eligible for KHC benefits as of August 31, 2009.) Demographics of the active recipient population of the KHC Program 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. The proportion of active participants in this group is nearly triple the proportion of African-Americans in the Texas population (28.3 percent versus 11.1 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 65.5 percent of active recipients 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. Fiscal year 2009 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 (44.3 percent). African-Americans also have a strong representation in this group. The proportion of approved applicants that are African-American is more than double the proportion of African-Americans in the Texas population (24.5 percent versus 11.1 percent respectively). Males account for 57.6 percent of all persons in this group. Females account for 42.4 percent of approved applicants (Table 1).

⁸ Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2009 Actives*, as of August 31, 2009, and accessed on December 18, 2009.

Table 1: Kidney Health Care Program FY 2009 Active Recipients on August 31, 2009, Approved Applicants, and Projected 2009 Texas Population Data⁹

	Active Recipients		Approved Applicants		Projected 2009 Texas Population (in millions)	
	Total	Percent of Total	Total	Percent of Total	Total	Percent of Total
TOTALS	18,596	100%*	3,940	100.00%	24.7	100.0%
Age Group						
0-20	37	0.2%	28	0.7%	7.6	30.9%
21-34	955	5.1%	328	8.3%	5.2	21.2%
35-44	2,329	12.5%	520	13.2%	3.6	14.5%
45-54	4,224	22.7%	957	24.3%	3.4	13.6%
55-64	5,415	29.1%	1,150	29.2%	2.4	9.8%
65-74	3,770	20.3%	600	15.2%	1.4	5.6%
75+	1,866	10.0%	357	9.1%	1.1	4.4%
Gender						
Female	7,452	40.0%	1,670	42.4%	12.4	50.2%
Male	11,144	60.0%	2,270	57.6%	12.3	49.8%
Race/Ethnicity						
African- American	5,261	28.3%	966	24.5%	2.7	11.1%
Hispanic	7,976	42.9%	1,747	44.3%	9.5	38.4%
White	4,849	26.1%	1,119	28.4%	11.3	46.1%
Other**	510	2.7%	108	2.7%	1.1	4.4%
Gross Annual Income						
Under \$20,000	12,189	65.5%				
\$20,000-\$29,000	3,175	17.1%				
\$30,000-\$39,000	1,681	9.0%				
\$40,000-\$49,999	1,005	5.4%				
\$50,000-\$59,999	546	2.9%				
\$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 2009 Actives, ASKIT*, as of August 31, 2009, and accessed on December 18, 2009.

Approved Applicants—Texas Department of State Health Services, *FY 2009 Approved Applicants, Kidney Health Care Program, Public Reports, Annual Reports, FY 2009 Approved, ASKIT*, as of August 31, 2009, and accessed on December 18, 2009.

Projected 2009 Texas Population (in millions)—Texas Department of State Health Services, Office of Program Decision Support, JC. September 24, 2009. From Population Estimates and Projections Program, the University of Texas at San Antonio, February 2009.

Fiscal Year 2009 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 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 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 reimbursable 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 2009, there were 6,476 KHC Program recipients who received prescription drug benefits, not including prescription drug premium payments, at an average cost per recipient of \$1,430.¹⁰ There was a \$164 over-the-year increase in the average cost per recipient between FY 2008 and FY 2009. This is due to several factors, including increases in immunosuppressant drug usage, the number of clients served, and the cost of drugs.

Standard Drug Benefit

The standard drug benefit is available to all KHC Program recipients 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 recipient 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 ended 36 months post transplant.

¹⁰ Texas Department of State Health Services, *FY 2009 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2009, for claims processed by December 21, 2009.

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 Program recipients 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 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 the KHC Program.

In FY 2009, there were 14,545 recipients enrolled in a Part D Stand-Alone drug plan. Of these, 10,726 recipients, or 74 percent, received some amount of subsidy from Medicare, while the remaining 3,819 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 all the Stand-Alone Part D plan providers in Texas. This will pay premiums directly to providers on behalf of the program recipients. Premium benefit limits are capped at a maximum of \$35 per month per recipient, less any Medicare subsidies. In FY 2009, there were 8,812 recipients who received Part D premium payment assistance at an average annual cost of \$170.¹²

¹¹ Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, FY 2009*, Unduplicated Client Count from Medicare Premium Payment file (Excel), as of August 31, 2009, and accessed on December 21, 2009.

¹² Texas Department of State Health Services, *FY 2008 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2009, for claims processed by November 30, 2009.

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 Program 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 an 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 2009, there were 15,967 KHC Program recipients who received a travel benefit for an average cost per recipient of \$268 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. This includes 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 2009, there were 713 KHC Program recipients who received a medical benefit for an average cost per recipient of \$3,591 per year.¹⁵

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 2009 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2009, for claims processed by December 21, 2009.

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 2009 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2009, for claims processed by December 21, 2009.

Fiscal Year 2009 Recipient Service Expenditures

Recipient service expenditures provided to KHC Program recipients are reported in Table 2. Drug expenditures accounted for \$9.3 million or 53 percent of all recipient service expenditures. There were 86,428 drug claims for an average cost of \$107 per claim. Of the remaining FY 2009 recipient service expenditures, Part D Premiums accounted for \$1.5 million (8 percent of expenditures), travel services accounted for \$4.3 million (24 percent of expenditures) and medical services accounted for \$2.6 million (15 percent of expenditures).¹⁶

Table 2: Fiscal Year 2009 Recipient Service Expenditures¹⁷

Client Services	Expenditures in Millions	Percent of Total
<i>Drugs</i>	9.3	53%
<i>Part D Premiums</i>	1.5	8%
<i>Transportation</i>	4.3	24%
<i>Medical Services</i>	2.6	15%
Total	17.7	100%

¹⁶ Texas Department of State Health Services, *FY 2009 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2009, for claims processed by December 18, 2009.

¹⁷ Texas Department of State Health Services, *FY 2009 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2009, for claims processed by December 18, 2009.

Fiscal Year 2009 Accomplishments

During FY 2009, the KHC Program achieved the following goals:

- Reviewed and updated maximum mileage caps for inter-city mileage reimbursement;
- Implemented secure passwords for ASKIT (the automated eligibility determination and claims payment system for DSHS staff) and ASKITWeb;
- Expanded ASKITWeb training for on-line users;
- Developed Computer Based Training (CBT) module for social workers serving KHC Program clients;
- Opened and reviewed the KHC Program rules; and
- Participated in the Chronic Kidney Disease Task Force which presented their findings and recommendations in the “Addressing Chronic Kidney Disease in Texas” report.

Fiscal Year 2010 Program Goals

The KHC Program’s goals for FY 2010 include:

- Improve program communication to clients including newsletters and updating client manuals;
- Improve program communication to providers including newsletters, hosting quarterly conference calls, and updating provider manuals;
- Implement CBT;
- Continue to participate in Chronic Kidney Disease Task Force - HB1373, 80th Regular Session;
- Review and update KHC Program Drug formulary; and
- Adoption of the final KHC Program rules.

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>