

# **The Kidney Health Care Program Fiscal Year 2007 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."<sup>1</sup>

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 relatively new 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.<sup>2</sup>) In addition, Medicare does not provide reimbursement

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<sup>1</sup> Texas Health and Safety Code, *Chapter 42, Section 42.001, Subsection c.*

<sup>2</sup> 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.<sup>3</sup> In FY 2007, there were 3,928 individuals newly-approved to receive benefits.<sup>4</sup> Nationally, 358,748 patients received renal replacement therapy in calendar year 2005.<sup>5</sup> In Texas, 39,622 patients received renal replacement therapy in the same period.<sup>6</sup> During the KHC Program's 34-year existence, approximately 92,000 persons have been approved to receive benefits for access surgery, dialysis, hospitalization, drugs, and transportation costs incurred in the treatment of ESRD.<sup>7</sup>

## **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.

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

<sup>4</sup> Texas Department of State Health Services, *The Automated System for Kidney Health Information Tracking (ASKIT) Public Reports, Annual Reports, Approved, FY 2007 Approvals*, as of August 31, 2007, and accessed on December 7, 2007.

<sup>5</sup> The United States Renal Data System, "Précis: Background on the US ESRD Program," *The 2007 Annual Report*. (Calendar Year 2005 data), p. 20. The United States Renal Data System Web site: [http://www.usrds.org/2007/pdf/00a\\_precis\\_07.pdf](http://www.usrds.org/2007/pdf/00a_precis_07.pdf) (accessed October 24, 2007). *Note*: Figure is the sum of the point prevalence for dialysis (341,319) plus the total transplants for the period (17,429) in order to obtain figures comparable to Texas figures which include only patients on dialysis and those receiving transplants.

<sup>6</sup> ESRD Network of Texas, Inc., #14, *2006 Annual Report*, ESRD Network of Texas, Inc., #14. Web site: <http://www.esrdnetwork.org/assets/pdf/annual-report/nw14-annual-report-2006.pdf> (accessed October 24, 2007).

<sup>7</sup> Texas Department of State Health Services, *Cumulative tally of approved applicants, FY 1974-FY 2006*, from previous KHC Program annual reports.

## **Active Recipients**

As of August 31, 2007, the KHC Program had 17,393 active recipients.<sup>8</sup> (An active recipient is anyone that was eligible for KHC benefits as of August 31, 2007.) 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 (29.1 percent versus 11.3 percent respectively). Males in the active recipient category comprise 59.8 percent of this group; females comprise 40.2 percent of the group. In relation to gross annual income, data show that 68.7 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 2007 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 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 percent versus 11.3 percent respectively). Males account for 58.6 percent of all persons in this group. Females account for 41.4 percent of approved applicants. (Table 1, p. 4.)

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<sup>8</sup> Texas Department of State Health Services, *ASKIT Public Reports, Annual Reports, Actives, FY 2007 Actives*, as of August 31, 2007, and accessed on December 7, 2007.

**Table 1: Kidney Health Care Program FY 2007 Active Recipients on August 31, 2007, Approved Applicants, and Projected 2007 Texas Population Data<sup>9</sup>**

	Active Recipients		Approved Applicants		Projected 2007 Texas Population (in millions)	
	Total	Percent of Total	Total	Percent of Total	Total	Percent of Total
<b>TOTALS</b>	<b>17,393</b>	<b>100%*</b>	<b>3,928</b>	<b>100%*</b>	<b>23.9</b>	<b>100%*</b>
<b>Age Group</b>						
0-20	40	0.2%	26	0.7%	7.5	31.5%
21-34	942	5.4%	261	6.6%	5.0	21.1%
35-44	2,191	12.6%	525	13.4%	3.5	14.6%
45-54	3,934	22.6%	965	24.6%	3.3	13.6%
55-64	4,821	27.7%	1,112	28.3%	2.3	9.4%
65-74	3,567	20.5%	650	16.5%	1.3	5.4%
75+	1,898	10.9%	389	9.9%	1.1	4.5%
<b>Gender</b>						
Female	6,990	40.2%	1,627	41.4%	12.0	50.0%
Male	10,403	59.8%	2,301	58.6%	12.0	50.0%
<b>Race/Ethnicity</b>						
African- American	5,068	29.1%	1,060	27.0%	2.7	11.3%
Hispanic	7,231	41.6%	1,612	41.0%	8.8	36.8%
White	4,646	26.7%	1,164	29.6%	11.5	47.8%
Other**	448	2.6%	92	2.3%	1.0	4.1%
<b>Gross Annual Income</b>						
Under \$20,000	11,953	68.7%				
\$20,000-\$29,000	2,769	15.9%				
\$30,000-\$39,000	1,443	8.3%				
\$40,000-\$49,999	799	4.6%				
\$50,000-\$59,999	429	2.5%				
\$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.

<sup>9</sup> Data Sources for Table:

Active Recipients—Texas Department of State Health Services, *Public Reports, Annual Reports, FY 2007 Actives, ASKIT*, as of August 31, 2007, and accessed on December 7, 2007.

Approved Applicants—Texas Department of State Health Services, *FY 2007 Approved Applicants, Kidney Health Care Program, Public Reports, Annual Reports, FY 2007 Approved, ASKIT*, as of August 31, 2007, and accessed on December 7, 2007.

Projected 2007 Texas Population (in millions)—Texas Department of State Health Services, Family Health Research Program Development, Title V and Health Resources Development, November 2007. From Texas A&M State Data Center, projected Texas population figures and income data based on unadjusted calendar year 2000 census figures.

## **Fiscal Year 2007 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 2007 (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 2007, there were 5,689 KHC Program recipients who received prescription drug benefits, not including prescription drug premium payments, at an average cost per recipient of \$934.<sup>10</sup> The number of recipients that received drug benefits decreased by 50 percent from Fiscal Year 2006 primarily due to recipient participation in Medicare Part D prescription drug plans.

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.

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<sup>10</sup> Texas Department of State Health Services, *FY 2007 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2007, for claims processed by November 30, 2007.

### ***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 when they apply for KHC or during the Part D open enrollment period for the following calendar year. 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 2007, there were 13,961 recipients enrolled in a Part D Stand-Alone drug plan. Of these, 9,760 recipients, or 69 percent, received some amount of subsidy from Medicare, while the remaining 4,201 recipients did not qualify for subsidy.<sup>11</sup>

### ***Medicare Part D Premium Assistance***

In FY 2007, the KHC Program executed agreements with the majority of the Part D plan providers and paid premiums directly to the providers on behalf of the program recipient. As an interim process, 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 2007, there were 5,105 recipients who received Part D premium payment assistance at an average annual cost of \$171.<sup>12</sup>

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<sup>11</sup> Texas Department of State Health Services, *Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, FY 2007*, Unduplicated Client Count from Medicare Premium Payment file (Excel), as of August 31, 2007, and accessed on December 7, 2007.

<sup>12</sup> Texas Department of State Health Services, *FY 2007 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2007, for claims processed by November 30, 2007.

## ***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 House Bill 2292, 78<sup>th</sup> Texas Legislature, the Texas Department of Transportation (TxDOT) 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 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 2007, there were 15,403 KHC Program recipients who received a travel benefit for an average cost per recipient of \$265 per year.<sup>13</sup>

## ***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."<sup>14</sup> 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 2007, there were 626 KHC Program recipients who received a medical benefit for an average cost per recipient of \$2,845 per year.<sup>15</sup>

## ***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.

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<sup>13</sup> Texas Department of State Health Services, *FY 2007 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2007, for claims processed by November 30, 2007.

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

<sup>15</sup> Texas Department of State Health Services, *FY 2007 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2007, for claims processed by November 30, 2007.

## Fiscal Year 2007 Recipient Service Expenditures

Recipient service expenditures provided to KHC Program recipients are reported in Table 2 below. Drug expenditures accounted for \$5.3 million or more than 44 percent of all recipient service expenditures. There were 62,278 drug claims for an average cost per claim of \$85. Of the remaining FY 2007 recipient service expenditures, travel services accounted for \$4.1 million (33.9 percent of total expenditures) and medical services accounted for \$1.8 million (14.8 percent of expenditures).<sup>16</sup>

**Table 2: Fiscal Year 2007 Recipient Service Expenditures<sup>17</sup>**

<b>Client Services</b>	<b>Expenditures in Millions</b>	<b>Percent of Total</b>
<i>Drugs</i>	\$5.3	44.1%
<i>Part D Premiums*</i>	\$0.9	7.2%
<i>Travel**</i>	\$4.1	33.9%
<i>Medical</i>	\$1.8	14.8%
<b>Total</b>	\$12.1	100.0%

\*Note: Part D Premiums previously have been included in Drugs expenditures.

\*\*Note: Travel funds are provided by the Texas Department of Transportation.

<sup>16</sup> Texas Department of State Health Services, *FY 2007 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2007, for claims processed by November 30, 2007.

<sup>17</sup> Texas Department of State Health Services, *FY 2007 Client Services Expenditures, Nvision, HSSAS*, as of August 31, 2007, for claims processed by November 30, 2007.

## **Fiscal Year 2007 Accomplishments**

During FY 2007, the KHC Program achieved the following goals:

- Enrolled the majority of participating drug plan providers as approved KHC Program participating providers;
- Refined and further developed additional program policies and procedures to coordinate Medicare Part D drug benefits with the KHC Program;
- Continued training on the Automated System for Kidney Health Information Tracking (ASKIT) for external program use by renal social workers and transplant coordinators;
- Released updated version of ASKIT for use by in-house staff and external program users;
- Monitored legislation from the 80<sup>th</sup> Legislature, Regular Session, 2007, including analysis of legislation related to kidney health services, organ donation, and other health services.

## **Fiscal Year 2008 Program Goals**

The KHC Program's goals for FY 2008 include:

- Increase dialysis reimbursement rates as authorized by House Bill 1, Article II, Rider 79b, 80<sup>th</sup> Texas Legislature;
- Deploy a new, web-based version of ASKIT data and claims system for external use by renal social workers and transplant coordinators;
- Continue training external end-users on the new, web-based version of ASKIT;
- Complete enrollment of all Medicare Part D prescription drug plans as approved KHC participating providers;
- Participate in the transition of the Medical Transportation Program (MTP) Services from the Texas Department of Transportation to the Health and Human Services Commission as mandated by Senate Bill 10, 80<sup>th</sup> Texas Legislature;
- Contribute to the work of the Chronic Kidney Disease Task Force (known as the Glenda Dawson Act) established by House Bill 1373, 80<sup>th</sup> Texas Legislature; and
- Continue to monitor and analyze the impact of Medicare Part D on KHC and its recipients.

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