Kidney Health Care Program
Fiscal Year 2016 Annual Report

As Required By
Texas Health and Safety Code, Chapter 42, Kidney Health Care

Health and Human Services Commission
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1. Executive Summary

The Kidney Health Care (KHC) program was authorized in 1973 by the Kidney Health Care Act (Article 4470-20, Vernon's Texas Civil Statutes). The program statute was later codified as Chapter 42 of the Texas Health and Safety Code. Texas Health and Safety Code, Section 42.003, established the KHC program to carry out the requirements of the chapter and allows the Health and Human Services Commission (HHSC) to develop and expand programs for the care and treatment of persons with end-stage renal disease (ESRD).

Senate Bill 200, 84th Legislature, Regular Session, 2015, transferred the KHC program from the Department of State Health Services (DSHS) to the HHSC effective September 1, 2016.

The program provides limited benefits to eligible clients to assist with medical expenses incurred as a direct result of ESRD care and treatment. Benefits include payment for and access to medical treatments such as dialysis, as well as financial assistance with transportation, allowable drugs, and premium payments in some instances.

Texas Health and Safety Code, Section 42.016, directs program findings, progress, and activities, as well as the state's total need in the field of kidney health care, to be reported to the governor and legislature by February 1 of each year.

The KHC Program 2016 Annual Report provides background, demographic, and expenditure information for fiscal year 2016.

Notable financial findings from fiscal year 2016 include:

- Program expenditures for client services totaled approximately $16.8 million.
- The cost of prescription drug benefits increased.

Notable client findings from fiscal year 2016 include:

- The program had 19,777 active clients who completed a KHC program application for benefits, met all eligibility criteria, and were approved to receive benefits.
- 19,378 active clients received one or more program benefits.
- The majority of clients receiving one or more benefits self-identified as Hispanic, a population that is disproportionately affected by ESRD.

2. Background

ESRD usually follows years of chronic kidney disease caused by inherited or acquired medical conditions such as diabetes, hypertension, or renal injury. ESRD is permanent and irreversible, requiring renal replacement therapy (renal dialysis or transplantation) to maintain life.

In 1973, the U.S. Congress created the Medicare Chronic Renal Disease (CRD) program. Prior to this program's creation, persons suffering from ESRD had limited resources available for paying expenses associated with renal replacement therapy, resulting in lack of treatment and death.

The Medicare CRD program helped alleviate this problem by covering allowable medical and related costs for dialysis and transplant patients enrolled in Medicare. However, ESRD patients continued to face significant out-of-pocket costs for treatment, drugs, transportation, and related expenses.

To further ease financial strain on persons with ESRD and increase access to needed services, the Texas Legislature created the KHC program to, "direct the use of resources and to coordinate the efforts of the state in this vital matter of public health."[1]

The KHC program assists with treatment and prescription medication costs not covered by Medicare. Most ESRD patients are required to wait three months after the initiation of dialysis treatment for Medicare benefits. This is known as the "pre-Medicare period," during which time uninsured clients do not receive Medicare benefits. The KHC program can help cover costs during these three months. Additionally, while Medicare Part D drug coverage assists with expenses related to prescription medications, ESRD patients experience out-of-pocket costs related to Medicare Part D deductibles, co-insurance amounts, and Part D "gap" expenditures.[2]

The KHC program also assists with transportation costs associated with ESRD treatment. Medicare does not provide reimbursement for transportation, which is a significant financial barrier to residents of rural areas of Texas seeking ESRD care and treatment.

Eligibility for the KHC program requires:

- A diagnosis of ESRD
- Meeting ESRD Medicare criteria
- A regular course of renal dialysis treatments or a kidney transplant
- Ineligibility for full Medicaid benefits
- A household gross income of less than $60,000 per year
- Texas residency and proof of residency
- An application for benefits through a participating facility

3. Program Demographics

KHC program demographics for fiscal year 2016 are provided for active clients. Active clients are clients who have completed a KHC program application for benefits, have met all eligibility

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

[2] The gap occurs when the client is responsible for 100 percent of their drug costs up to a certain dollar amount. Once dollar amount has been met, the client moves into the next Medicare drug benefit level.

criteria, and have been approved by the program to receive benefits. Not all active clients will access program benefits. As of August 31, 2016, the KHC program had 19,777 active clients.[3] Persons 45-74 years of age accounted for 76.1 percent of all active clients. The majority of active clients, 46.1 percent, were Hispanic. African-Americans represented 28.3 percent of the active client population, and Caucasians represented 22.8 percent. Socioeconomic data shows that 58.6 percent of clients had gross annual incomes below $20,000.

A full demographic representation of the KHC program client population can be found in Appendix A: Demographic Information.

4. Program Benefit Summary

Specific program benefits are dependent on the client's treatment status and eligibility for benefits from other programs and coverage such as Medicare, Medicaid, or private insurance. Additionally, program benefits are subject to state budget appropriations and to the reimbursement rates established by HHSC.

Benefits can include payment for allowable drugs, transportation, medical expenses incurred as a direct result of ESRD treatment (dialysis treatment and access surgery), and in certain instances, assistance with premium payments.

A total of 19,378 clients received one or more benefits for fiscal year 2016.[4] For a breakdown of annual costs by benefit type, see Table 1.[5]

Table 1. Annual Cost by Benefit

Benefit	Number of Clients	Average Annual Cost per Client	Total Annual Cost
Prescription Drug	6,668	$1,536	$10.3 M
Transportation	15,651	$262	$4.1M
Medicare Part D Premium Assistance	7,809	$206	$1.6 M
Medical	261	$3,130	$0.8 M
Total	**-**	**-**	**$16.8 M**

[3] Texas Department of State Health Services, KHC Management Information System, fiscal year 2016, as of August 31, 2016, accessed on December 9, 2016.

[4] The total number of clients represents the total unduplicated number of clients who received one or more program benefits in fiscal year 2016. The total number is less than the sum of the client counts in Table 1 due to some clients having received more than one program benefit.

[5] Expenditure data represents only clients that have received one or more program benefits and for whom claims have been paid.

Prescription Drug Benefits

In fiscal year 2016, 6,668 KHC program clients[6] received prescription drug benefits, not including prescription drug premium payments, at an average annual cost per client of $1,536.[7] The average prescription drug cost per client increased by $61 between fiscal years 2015 and 2016. This can be attributed to an increase in the cost of prescription drugs used by program clients.

The KHC program prescription drug benefit is available to clients who are not eligible for drug coverage under a private/group health insurance plan or those not receiving Medicaid prescription drug benefits. The prescription drug benefit is limited to four prescriptions per month and drugs must be included in the KHC program drug formulary (the list of covered drugs). The program manages the formulary and each drug has a $6 co-pay. Clients must obtain their medication from one of 4,956 participating pharmacies.

Standard Drug Benefit

In fiscal year 2016, 6,668 clients received standard drug benefits. The standard drug benefit is available to KHC program clients prior to becoming eligible for Medicare and enrolled in a Medicare Part D drug plan, or to those who are not eligible for Medicare benefits. The benefits include coverage of immunosuppressive drugs for kidney transplant clients whose Medicare coverage ends 36 months post-transplant.

Medicare Part D Coordination of Benefits

In fiscal year 2016, 7,809 clients received Medicare Part D assistance. The KHC program assists with drug costs for Medicare Part D deductibles and 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 on the KHC program reimbursable drug list. Coverage is limited to four drugs per month.

The KHC program also provides coverage for limited pharmaceutical products excluded from Medicare Part D, such as over-the-counter drugs and vitamins. In order for clients to have Medicare Part D benefits coordinated by the KHC program, they must be enrolled in a Texas stand-alone Medicare Part D drug plan which provides prescription drug coverage and no other services.

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.

[6] Texas Department of State Health Services, KHC Management Information System, Claims as of August 31, 2016, accessed on December 9, 2016.
[7] Texas Department of State Health Services, fiscal year 2016 Client Services Expenditures, Health and Human Services Administrative System (HHSAS), as of August 31, 2016, for claims processed by December 1, 2016.

Transportation

In fiscal year 2016, there were 15,651 KHC program clients[8] who received a travel benefit for an average cost per client of $262 per year.[9] Clients eligible for travel benefits are reimbursed at 13 cents per mile, round-trip. The number of allowable trips taken per month to receive ESRD treatment is based on the client's treatment status. 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.

Medicare Part D Premium Assistance

Medicare Part D Enrollment

KHC program clients are required to apply for federal assistance in order to be eligible for the program's premium assistance and prescription drug benefits. Federal assistance includes the Medicare Part D Stand-alone drug plan or Social Security Administration (SSA) subsidies. In fiscal year 2016 there were 17,491 clients enrolled in the Medicare Part D Stand-alone drug plan. Of these, 11,558 clients (66.1 percent) received a subsidy from SSA.[10]

Medicare Part D Premium Assistance

In fiscal year 2016 there were 7,809 clients[11] who received Part D premium payment assistance at an average annual cost of $206.[12] The KHC program executed agreements with 14 of the 15 stand-alone Medicare Part D plan providers in Texas to pay premiums directly to providers on behalf of program clients. Premium benefit limits are capped at a maximum of $35 per month per client, less any Medicare subsidies.

Medical Services

In fiscal year 2016, there were 261 KHC program clients[13] who received a medical benefit for an average cost per client of $3,130 per year.[14] The program provides limited payment for ESRD-related medical services. Allowable services include inpatient and outpatient dialysis treatments, and medical services required for access surgery, including hospital, surgeon, assistant surgeon,

[8] Texas Department of State Health Services, KHC Management Information System, fiscal year 2016 as of August 31, 2016, accessed on December 9, 2016.
[9] Texas Department of State Health Services, fiscal year 2016 Client Services Expenditures, HHSAS, as of August 31, 2016, for claims processed by December 1, 2016.
[10] Texas Department of State Health Services, Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, fiscal year 2016, unduplicated client count from Centers for Medicare and Medicaid Services enrollment file (Excel), as of August 31, 2016, accessed on December 9, 2016.
[11] Texas Department of State Health Services, KHC Management Information System, Annual Reports, as of August 31, 2016, accessed on December 9, 2016.
[12] Texas Department of State Health Services, fiscal year 2016 Client Services Expenditures, HHSAS, as of August 31, 2016, for claims processed by December 1, 2016.
[13] Texas Department of State Health Services, KHC Management Information System, fiscal year 2016, as of August 31, 2016, accessed on December 9, 2016.
[14] Texas Department of State Health Services, fiscal year 2016 Client Services Expenditures, HHSAS, fiscal year 2016, as of August 31, 2016, for claims processed by December 1, 2016.

and anesthesiology charges. The KHC program will also provide Medicare Parts A and B premium assistance for clients who meet the eligibility criteria.

Dialysis Treatment

Dialysis treatment is provided to clients during the pre-Medicare qualifying period. The KHC program covers up to 14 treatments per month for each client at a flat rate of $130.69 per treatment. The KHC program has open-enrollment, fee-for-service contracts with 554 dialysis facilities.

Access Surgery

Access surgery is defined as the "surgical procedure which creates or maintains the access site necessary to perform dialysis."[15] Access surgery, along with vein mapping for the initiation of dialysis, is typically done before the patient qualifies for Medicare benefits. Access surgery can be covered retroactively up to 180 days before the date of KHC program eligibility.

Premiums Assistance

The KHC program pays Medicare Parts A and B premiums on behalf of program clients who are:

- Eligible to purchase this coverage according to Medicare's criteria
- Not eligible for "premium free" Medicare Part A (hospital) insurance under the Social Security Administration
- Not eligible for Medicaid payment of Medicare premiums

5. State's Total Need in the Field of Kidney Health Care

Overall Need

Chronic kidney disease (CKD) has been a public health concern for many decades. The National Institute of Diabetes and Digestive and Kidney Diseases funds the United States Renal Data System (USRDS), which collects, analyzes, and distributes information about CKD and ESRD in the United States.[16] USRDS collects and analyzes data by regions known as the ESRD Networks and produces an Annual Data Report. The 2016 USRDS Annual Data Report found substantial variation in ESRD incidence rates among the 18 ESRD Networks.

From the USRDS Annual Data Report, the lowest ESRD rate was 250 incidents per million/per year in the states making up Network 1: Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont, adjusting for differences in age, sex, and race. The highest ESRD

[15] Texas Administrative Code, Title 25, Part 1, Chapter 61, Subchapter A, Section 61.1 (b) (1).
[16] The United States Renal Data System, https://www.usrds.org/.

rate was 432 incidents per million/per year in Network 14: Texas.[17] The report states that much of the high incidence in Texas is due to the high number of Hispanics in the state.

Texas has seen an increase over the last three years in the number of KHC clients who are Hispanic. Between fiscal years 2014 and 2016, the percent of KHC clients who were Hispanic increased from 38.8 percent to 46.1 percent.

Economic Burden

The economic burden of caring for clients with ESRD continues to rise because of the numbers of clients affected, the associated costs to treat co-morbid conditions such as hypertension and diabetes, and the cost of immunosuppressive drugs following kidney transplants. When Medicare Part D costs are excluded, the total Medicare Part A, B, and C expenditures were $434.5 billion in 2016, with the ESRD program accounting for 6.7 percent of this spending—a number consistent over many years.[18]

Between fiscal years 2015 and 2016, prescription drug costs increased from $9.8 to $10.3 million (0.6 percent). As drug costs continue to rise, the KHC program will likely realize additional drug expenditures.

6. Conclusion

In fiscal year 2016, 19,378 clients received one or more program benefits and KHC program expenditures for client services totaled approximately $16.8 million.

Due to its growing Hispanic population, Texas can expect to see an increase in the number of clients accessing KHC program services. HHSC is dedicated to serving the KHC program population and will continue to refine program practices to ensure continual improvements in program delivery.

[17] The United States Renal Data System, Volume 2 – End-Stage Renal Disease (ESRD) in the United States, Chapter 1: Incidence, Prevalence, Patient Characteristics, and Treatment Modalities, Incidence of ESRD: County, Rates, and Trends, https://www.usrds.org/2016/view/v2_01.aspx.

[18] The United States Renal Data System, https://www.usrds.org/2016/view/Default.aspx

List of Acronyms

Acronym	Full Name
CKD	Chronic Kidney Disease
CRD	Chronic Renal Disease
DSHS	Department of State Health Services
ESRD	End-Stage Renal Disease
HHSAS	Health and Human Services Administrative System
HHSC	Health and Human Services Commission
KHC	Kidney Health Care
SSA	Social Security Administration
USRDS	United States Renal Data System

Appendix A: Demographic Information

Table 2. Fiscal Year 2016 Demographic Characteristics of Active KHC Program Clients[19]

Demographic	Number	Percent[20]
Age	-	-
0-20	13	0.1%
21-34	728	3.7%
35-44	2,223	11.2%
45-54	4,352	22%
55-64	6,083	30.8%
65-74	4,607	23.2%
75+	1,771	9%
Gender	-	-
Female	8,033	40.6%
Male	11,744	59.4%
Race/Ethnicity	-	-
African-American	5,598	28.3%
Hispanic	9,122	46.1%
White	4,509	22.8%
Other[21]	548	2.8%
Total	**19,777**[22]	**100%**

[19] Texas Department of State Health Services, Public Reports, Annual Reports, fiscal year 2016, KHC Management Information System as of August 31, 2016, accessed on December 9, 2016.
[20] Sums of percentages may not be equal to 100 percent due to rounding.
[21] The "Other" ethnic category includes Indian, Asian, American Indian/Alaskan Native, and Pacific Islander
[22] The total number of active client does not represent the total number of clients receiving one or more program benefits. The total number of clients receiving one or more program benefits in fiscal year 2016 was 19,378.

Table 3. Fiscal Year 2016 Gross Annual Income for Active KHC Program Clients[23]

Gross Annual Income	Number	Percent
Under $20,000	11,583	58.6%
$20,000-$29,999	3,800	19.2%
$30,000-$39,999	2,202	11.1%
$40,000-$49,999	1,398	7.1%
$50,000-$59,999	794	4%
Total	**19,777**[24]	**100%**

[23] Texas Department of State Health Services Public Reports, Annual Reports, fiscal year 2016, KHC Management Information System as of August 31, 2016, accessed on December 9, 2016.

[24] The total number of active client does not represent the total number of clients receiving one or more program benefits. The total number of clients receiving one or more program benefits in fiscal year 2016 was 19,378.