



Kidney Health Care Program Report

**As Required by
Health and Safety Code,
Section 42.016**

Health and Human Services

February 2018



TEXAS
Health and Human
Services

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Executive Summary

The *Kidney Health Care Program Report* is submitted in compliance with Texas Health and Safety Code, Section 42.016.

The Kidney Health Care (KHC) program provides limited benefits to eligible clients with end-stage renal disease (ESRD) to assist with medical expenses directly resulting from ESRD care and treatment. Benefits may include medical treatments such as dialysis, as well as financial assistance with transportation, allowable medications, and the payment of premiums in some instances.

Notable financial findings for fiscal year 2017 include:

- Program expenditures for client services totaled approximately \$16.6 million, including \$11.5 million in general revenue and \$5.1 million in rebates¹ from drug manufacturers.
- Average program expenditures for active clients receiving one or more services totaled \$6,124 pre-rebate and \$5,225 post-rebate.

Notable client findings for fiscal year 2017 include:

- Out of the 20,549 active clients enrolled in the program, there were 18,879 clients receiving one or more program benefits; 2,180 new clients who completed a KHC program application for benefits, met all eligibility criteria, and were approved to receive benefits; and 1,670 clients who did not receive any program benefits in fiscal year 2017.
- The majority of clients receiving one or more benefits self-identified as Hispanic, accounting for a total of 9,528 or 46.4 percent.

¹ In accordance with 2018-19 General Appropriations Act, Senate Bill 1, 85th Legislature, Regular Session 2017 (Article II, Health and Human Services Commission, Rider 95), rebates earned from drug manufacturers are used to supplement the state general revenue appropriated funds to continue reimbursement for the programs client services needs through the fiscal year. Program received \$8.7 million in rebates from drug manufacturers, which was \$1.5 million over the appropriated amount. Rebate funds in excess of the appropriation may or may not be used to further offset KHC program expenditures.

1. Introduction

Section 42.016 requires the Health and Human Services Commission (HHSC) to submit a report annually, by February 1, to the Governor. The report must include HHSC's findings, progress, and activities under Health and Safety Code, Chapter 42 and HHSC's total need in the field of kidney health care.

2. Background

The KHC program provides limited benefits to people with ESRD. 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, and people with ESRD need renal replacement therapy, such as renal dialysis or transplantation, to live.

The Texas Legislature established the KHC program to address gaps in the Medicare Chronic Renal Disease (CRD) program created by Congress in 1973. The Medicare CRD program helped reduce costs associated with renal replacement therapy; however, ESRD patients faced significant out-of-pocket costs for treatment, drugs, transportation, and related expenses.

The KHC program helps with these expenses by:

- Assisting with treatment and prescription medication costs not covered by Medicare, including during the pre-Medicare period;²
- Assisting with costs related to Medicare Part D deductibles, co-insurance amounts, and Part D “gap” expenditures;³ and
- Assisting with transportation costs associated with ESRD treatment.⁴

To be eligible for the KHC program, a client must meet program criteria:

- ESRD diagnosis;
- ESRD Medicare criteria;
- Regular course of renal dialysis treatments or a kidney transplant;
- Ineligibility for full Medicaid benefits;

² Most ESRD patients are required to wait three months after beginning dialysis treatment for Medicare benefits. This is known as the “pre-Medicare period,” and uninsured clients do not receive Medicare benefits. The KHC program can help cover costs during this time.

³ Medicare Part D drug coverage assists with expenses related to prescription medications. There are out-of-pocket costs such as deductibles, co-insurance, and gap amounts. A gap can occur when the client is responsible for 100 percent of drug costs up to a certain dollar amount. Once the dollar amount has been met, the client moves into the next Medicare drug benefit level.

⁴ Medicare does not provide reimbursement for transportation.

- Household gross income of less than \$60,000 per year; and
- Texas residency.

All data and statistics for KHC client demographics is from the Texas Integrated Business Information System⁵.

⁵ HHSC, Public Reports, Annual Reports, fiscal year 2017, Texas Integrated Business Information System as of August 31, 2017, accessed on December 1, 2017.

3. Demographics

KHC program demographics for fiscal year 2017 active clients are provided in Tables 1 through 4 below. Active clients are clients who completed a KHC program application for benefits, have met all eligibility criteria, and have been approved by the program to receive benefits. Not all active clients will receive program benefits.

The tables show that, as of August 31, 2017, the KHC program had 20,549 active clients and the majority were 45-74 years old, Hispanic, and had gross annual incomes below \$20,000.

The total number of active clients 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 2017 was 18,879.

Table 1. Age of Active Clients - Fiscal Year 2017

Age	Number	Percent
0-20	11	>.1%
21-34	699	3.4%
35-44	2,207	10.7%
45-54	4,432	21.6%
55-64	6,297	30.6%
65-74	4,957	24.1%
75 and up	1,946	9.5%
Total	20,549	100%

Table 2. Gender of Active Clients - Fiscal Year 2017

Gender	Number	Percent
Female	8,314	40.5%
Male	12,235	59.5%
Total	20,549	100%

Table 3. Race/Ethnicity of Active Clients - Fiscal Year 2017⁶

Race/Ethnicity	Number	Percent
African-American	5,807	28.3%
Hispanic	9,528	46.4%
White	4,688	22.8%
Other ⁷	526	2.6%
Total	20,549	100%

⁶ Due to rounding, percentage totals may not equate to precisely 100 percent.

⁷ The "Other" ethnic category includes Indian, Asian, American Indian/Alaskan Native, and Pacific Islander.

Table 4. Gross Annual Income of Active Clients - Fiscal Year 2017⁸

Gross Annual Income	Number	Percent
Under \$20,000	12,587	61.3%
\$20,000-\$29,999	3,602	17.5%
\$30,000-\$39,999	2,148	10.5%
\$40,000-\$49,999	1,392	6.8%
\$50,000-\$59,999	820	4.0%
Total	20,549	100%

⁸ Due to rounding, percentage totals may not equate to precisely 100 percent.

4. Expenditures and Benefits

The receipt of KHC program benefits is dependent upon each client's treatment status and eligibility for benefits from other programs and coverage, such as Medicare, Medicaid, or private insurance. Benefits are also subject to state budget appropriations and reimbursement rates established by HHSC. Benefits are discussed in more detail below.

As of August 31, 2017, a total of 18,879 clients received one or more benefits for fiscal year 2017. Table 5 includes a breakdown of annual costs by benefit type and includes average cost per client and total average cost.⁹

Table 5. Annual Cost by Benefit - Fiscal Year 2017

Benefit	Number of Clients ¹⁰	Average Cost Per Client Pre-rebate	Average Cost per Client Post-Rebate ¹¹	Total Cost Pre-Rebate	Total Cost Post-Rebate
Prescription Drug	5,687	\$1,709	\$810	\$9,718,854	\$4,605,775
Transportation	15,140	\$301	\$301	\$4,551,388	\$4,551,388
Medicare Part D Premium Assistance	7,376	\$225	\$225	\$1,660,401	\$1,660,401
Medical	169	\$3,889	\$3,889	\$657,205	\$657,205
Total		\$6,124	\$5,225	\$16,587,848	\$11,474,769

⁹ Expenditure data represents only clients that have received one or more program benefits and for whom claims have been paid.

¹⁰ The total number of clients represents the total unduplicated number of clients who received one or more program benefits in fiscal year 2017. The total number is less than the sum of the client counts due to some clients having received more than one program benefit.

¹¹ Average cost per client post-rebate is calculated using the total amount of \$5.1 million in rebates from drug manufacturers.

Prescription Drug Benefits

Table 5 shows 5,687 KHC program clients received prescription drug benefits, not including prescription drug premium payments, at an average annual cost per client of \$1,709.

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 not receiving Medicaid prescription drug benefits. Through this benefit, clients can receive up to four prescriptions per month. Each prescribed drug must be included in the KHC program drug formulary (list of covered drugs), requires a \$6 co-pay, and must be obtained from one of 4,986 participating pharmacies.

Standard Drug Benefit

In fiscal year 2017, 5,687 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 2017, 7,376 clients received Medicare Part D assistance. 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 drugs on the Medicare Part D prescription drug plan formulary and 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.

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.

Transportation

Table 5 shows 15,140 KHC program clients received a travel benefit for an average cost per client of \$301 per year. 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 Assistance

Separate from the Medicare Part D coordination of benefits described above, which includes assistance with deductibles, co-insurance, and "gap" expenditures, the KHC program also provides Medicare Part D premium assistance. KHC program clients must apply for federal assistance to be eligible for 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 2017, 17,143 clients were enrolled in the Medicare Part D stand-alone drug plan. Of these, 12,800 clients (74.7 percent) received a subsidy from the SSA.¹²

Table 5 shows 7,376 clients received Part D premium payment assistance at an average annual cost of \$225. The KHC program executed agreements with 12 of the 33 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

Table 5 shows 169 clients received a medical benefit for an average cost per client of \$3,889 per year. The program provides limited payment for ESRD-related

¹² HHSC, Kidney Health Care, Number of Kidney Health Clients Deemed Subsidy, fiscal year 2017, unduplicated client count from Centers for Medicare and Medicaid Services enrollment file (Excel), as of August 31, 2017, accessed on December 1, 2017.

medical services. Allowable services include inpatient and outpatient dialysis treatments, and medical services required for access surgery, including hospital, surgeon, assistant surgeon, and anesthesiology charges. The KHC program will also provide Medicare Parts A and B premium assistance for eligible clients.

Dialysis

The KHC program covers up to 14 dialysis treatments per month for each eligible client, at a flat rate of \$130.69 per treatment. The KHC program has open-enrollment, fee-for-service contracts with 572 dialysis facilities. Dialysis treatment is provided to clients during the pre-Medicare qualifying period. Once a client is covered by Medicare, they may access dialysis treatment through Medicare rather than the KHC program.

Access Surgery

The KHC program will cover the cost of access surgery for eligible clients. These costs can be covered retroactively, up to 180 days before the date of KHC program eligibility. Access surgery is a procedure to create or maintain the access site necessary for dialysis. Access surgery and vein mapping for dialysis are typically done before the client qualifies for Medicare benefits.

Premium Assistance

The KHC program pays Medicare Parts A and B premiums for 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 SSA, and not eligible for Medicaid payment of Medicare premiums.

5. Conclusion

In fiscal year 2017, KHC program expenditures for client services totaled approximately \$16.6 million. This represents a decline in expenditures of \$200,000, or 1.2 percent compared with fiscal year 2016. Additionally, in fiscal year 2017, 18,879 clients received one or more program benefits, 499 clients fewer than fiscal year 2016. This represents a one percent decrease in clients served compared with fiscal year 2016, and correlates with the decline in expenditures.

Based on demographic data, clients self-identifying as Hispanic account for 46.4 percent of all active clients and represent the largest area of client growth. While this area saw the greatest increase, most ethnicity demographics saw a similar increase in clients.

HHSC is committed to serving KHC program clients and will continue to refine program practices to ensure continual improvements in program delivery.

List of Acronyms

Acronym	Full Name
CRD	Chronic Renal Disease
ESRD	End-stage Renal Disease
HHSC	Health and Human Services Commission
KHC	Kidney Health Care
SSA	Social Security Administration