

Kidney Health Care Program Report

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

**Texas Health and Human Services
Commission
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TEXAS
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Executive Summary

The Kidney Health Care Program Report for fiscal year 2022 is submitted in compliance with [Texas Health and Safety Code, Section 42.016](#). Health and Safety Code, Section 42.016, requires the Health and Human Services Commission (HHSC) to submit a report to the Governor and the Texas Legislature by February 1 of each year. The report must include the agency's findings, progress, activities, and the state's total need in the field of kidney health care.

The Kidney Health Care (KHC) program provides limited benefits to eligible end-stage renal disease (ESRD) clients to assist with medical expenses directly resulting from ESRD care and treatment, such as dialysis. In some instances, the program may also help with transportation, approved medications, and payment for insurance premiums.

Notable financial findings for fiscal year 2022 include:

- Program expenditures for client services totaling \$9,147,519, including \$5,731,577 in general revenue and \$3,415,942 in rebates from drug manufacturers.¹
- Cost per client for an individual receiving one or more benefits averaged approximately \$614 pre-rebate and \$385 post-rebate annually.
- Expenditures for the transportation benefit increased approximately 26 percent from fiscal year 2021 to fiscal year 2022.
- Expenditures for cost per client for the medical services benefit decreased by approximately 17 percent from fiscal year 2021 to fiscal year 2022.

Notable client findings for fiscal year 2022 include:

- Of 19,824 clients enrolled in the program, 14,889 were receiving one or more program benefits.
- The largest demographic of active enrolled clients self-identified as Hispanic, accounting for 9,359, or 47.21 percent. Demographics remain consistent with the previous fiscal year across age, race, gender, and income, often varying by less than one percentage point.
- The program approved 1,816 new clients in fiscal year 2022.

¹ In accordance with [the 2021-22 General Appropriations Act, 87th Legislature, Regular Session, 2021 \(Article II, Health and Human Services Commission, Rider 107\)](#), rebates earned from drug manufacturers supplement the state general revenue appropriated funds to reimburse the program's client services needs through the fiscal year.

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 (renal dialysis or transplantation) to live.

The KHC program was established by the Texas Legislature to address gaps in the federal Medicare ESRD program created by Congress in 1973. The Medicare ESRD 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 low-income Texans with:

- Treatment and prescription medication costs when not covered by Medicare, including during the pre-Medicare period;²
- Costs related to Medicare prescription drug deductibles, co-insurance amounts, premium payment assistance, and Part D “gap” expenditures;³ and
- Transportation costs associated with ESRD treatment.⁴

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

- Have an ESRD diagnosis from a licensed physician that meets Medicare’s definition;
- Require a regular course of renal dialysis treatments or have received a kidney transplant;
- Be ineligible for Medicaid medical, drug, or travel benefits;
- Have a household gross income of less than \$60,000 per year; and
- Be a Texas resident.

² Most ESRD patients are required to wait three months for Medicare benefits after beginning dialysis treatment. 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 a percentage of drug costs up to a certain dollar amount. After meeting the dollar amount, the client moves into the next Medicare drug benefit level, the catastrophic coverage stage.

⁴ Medicare does not provide transportation reimbursement.

Demographics

KHC program demographics for fiscal year 2022 active clients are provided in Tables 1 through 4 below. Active clients have completed a KHC program application for benefits, met all eligibility criteria, and have been approved by the program to receive benefits. In fiscal year 2022, the program approved 1,816 new client applications. Not all active clients will receive program benefits. All data and statistics for KHC client demographics are from the Texas Integrated Business Information System.⁵

[Table 1](#) shows that, as of August 31, 2022, the KHC program had 19,824 active clients. The majority of clients are 55-64 years old, male ([Table 2](#)), Hispanic ([Table 3](#)) and have a gross annual income below \$20,000 ([Table 4](#)).

Table 1. Age of Active Clients - Fiscal Year 2022

Age	Number	Percent
0-19	6	0.03%
20-34	710	3.58%
35-44	2,045	10.32%
45-54	4,252	21.45%
55-64	5,961	30.07%
65-74	4,990	25.17%
75 and up	1,860	9.38%
Total	19,824	100%

⁵ Annual Reports, fiscal year 2022, Texas Integrated Business Information System as of August 31, 2022, accessed on November 18, 2022.

Table 2. Gender of Active Clients - Fiscal Year 2022

Gender	Number	Percent
Female	8,065	40.68%
Male	11,759	59.32%
Total	19,824	100%

Table 3. Race/Ethnicity of Active Clients - Fiscal Year 2022

Race/Ethnicity	Number	Percent
African American	5,459	27.54%
Hispanic	9,359	47.21%
White	4,403	22.21%
Other ⁶	603	3.04%
Total	19,824	100%

Table 4. Gross Annual Income of Active Clients - Fiscal Year 2022

Gross Annual Income	Number	Percent
Under \$20,000	11,017	55.57%
\$20,000-\$29,999	3,971	20.03%
\$30,000-\$39,999	2,295	11.58%
\$40,000-\$49,999	1,566	7.90%
\$50,000-\$59,999	971	4.90%
\$60,000+	4	0.02%
Total	19,824	100%

⁶ "Other" ethnic category includes Asian, American Indian/Alaskan Native, and Pacific Islander.

Expenditures and Benefits

The receipt of KHC program benefits depends on 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. The total number of active clients enrolled in the program does not represent the total number of clients receiving benefits. The total clients served is less than the sum of client benefit encounters due to some clients having received benefits in more than one category.

As of August 31, 2022, a total of 14,889 clients received one or more benefits for fiscal year 2022. Table 5 includes a breakdown of the number of client encounters by benefit categories, average cost per client, and total costs before and after rebates are applied.⁷

Table 5. Annual Cost by Benefit - Fiscal Year 2022

Benefit Category	Clients Served	Average Cost Per Client Pre-Rebate	Average Cost Per Client Post-Rebate	Total Cost Pre-Rebate	Total Cost Post-Rebate
Prescription Drug	4,095	\$847.33	\$13.15	\$3,469,804.40	\$53,862.61
Transportation	11,274	\$400.18	\$400.18	\$4,511,651.20	\$4,511,651.20
Medicare Part D Premium Assistance	4,432	\$216.73	\$216.73	\$960,540.70	\$960,540.70
Medical	62	\$3,314.89	\$3,314.89	\$205,523.23	\$205,523.23

In total for fiscal year 2022, there were 14,889 individual clients served, for a total of 19,863 benefit encounters throughout all categories.

The total average cost per individual client served pre-rebate is approximately \$614, for total client expenditures pre-rebate of \$9.15 million. The KHC program earned approximately \$3.41 million in drug manufacturer rebates, which reduced the total amount of KHC program expenditures. The total average cost per individual client served post-rebate is approximately \$385, for a total client expenditure post-rebate of \$5.73 million.

Prescription Drug Benefits

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 are 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 (i.e., list of covered drugs), requires a \$6 co-pay, and must be obtained from one of 5,583 participating pharmacies.

⁷ Expenditure data represents only clients that have received one or more program benefits and for whom claims have been paid.

[Table 5](#) above shows that 4,095 KHC program clients received prescription drug benefits at an average annual pre-rebate cost per client served of \$847.33 in fiscal year 2022.

The drug benefit is available to KHC program clients prior to becoming eligible for Medicare and enrolled in a Medicare drug plan, or to those 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 Coordination of Drug Benefits

For clients to have Medicare drug benefits coordinated with the KHC program, they must be enrolled in a Medicare plan that provides prescription drug coverage. The pharmacy will bill Medicare first, then the KHC program will pay any co-insurance or copay that Medicare requires the client to pay. The client will have no out-of-pocket costs on these coordinated claims. As a Centers for Medicare and Medicaid Services certified State Pharmaceutical Assistance Program, all payments made by KHC on behalf of a client count toward the client's true out-of-pocket costs.

In fiscal year 2022, 14,692 KHC clients were eligible for coordinated prescription drug benefits. Of this total, 7,846 were enrolled with a stand-alone Part D drug plan, and 6,846 were enrolled with a Medicare Advantage (Part C) plan.

Medicare Part B Immunosuppressive Drugs

The KHC program is the secondary payor of immunosuppressive drugs for kidney transplant patients when Medicare is the primary payor. This means that KHC pays the Medicare copayment for the client so that the client has no out-of-pocket expenses. This benefit is included as part of the four-drug maximum from the KHC program drug formulary per client, per month.

Premium Assistance

Clients not eligible for "premium free" Medicare Part A (hospital) insurance under the Social Security Administration and not eligible for Medicaid payment of Medicare premiums are able to receive assistance through the KHC program. The program pays Medicare Parts A and B premiums for clients who are eligible to purchase this coverage according to Medicare's criteria.

Transportation

The client's treatment status determines the number of allowable trips taken per month to receive ESRD treatment. The maximum reimbursement is \$200 and 14 trips per month. Clients eligible for transportation benefits under the Medicaid Medical Transportation Program are not eligible to receive KHC program transportation benefits. [Table 5](#) shows that 11,274 KHC program clients received a travel benefit for an average cost of \$400.18 per client, per year. The fiscal year 2022 program reimbursement rate was \$0.25 per mile, round-trip, compared to \$0.20 cents per mile in fiscal year 2021. This updated benefit contributed to the 26 percent increase in transportation costs.

Medicare Subsidy Assistance

Clients must apply for federal assistance to be eligible for KHC program premium assistance and prescription drug benefits. Federal assistance includes the Medicare Part D stand-alone drug plans, Medicare Part C Advantage plans, or Social Security

Administration subsidies. In fiscal year 2022, 7,846 clients were enrolled in the Medicare Part D stand-alone drug plan, and 55 percent of these enrollees received a subsidy. Clients enrolled in a Medicare Advantage plan totaled 6,846, and 63 percent received a subsidy.

The KHC program has executed agreements with seven stand-alone Texas Medicare Part D plan providers to pay premiums directly to providers on behalf of program clients. Premium benefits are capped at \$35 per month per client, less any Medicare subsidies. [Table 5](#) shows that in fiscal year 2022, 4,432 clients received Part D premium payment assistance at an average annual cost of \$216.73.

Medical Services

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, and anesthesiology charges. [Table 5](#) shows 62 clients received a medical benefit, for an average cost per client of \$3,314.89 per year.

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. Dialysis treatment is also provided to clients during the pre-Medicare qualifying period. As of August 31, 2022, the KHC program has open-enrollment fee-for-service contracts with 646 dialysis facilities.

Access Surgery

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. The KHC program will cover the cost of access surgery for eligible clients. These costs can be covered retroactively, for up to 180 days before the date of KHC program eligibility.

Conclusion

In fiscal year 2022, KHC program expenditures for client services totaled approximately \$9.147 million. This is a small decrease of \$364,206 in total expenditures from fiscal year 2021. Notable changes in individual expenditure categories include a 26 percent increase in total transportation costs from fiscal year 2021 to fiscal year 2022 and a 17 percent decrease in cost per client for medical services from fiscal year 2021 to fiscal year 2022. The decline in medical-services spending may be attributed to clients receiving Medicare coverage faster because of dialysis social workers' efforts to connect clients with appropriate care more quickly.

There was an increase in newly approved clients from the previous fiscal year, with a total of 1,816 new clients in fiscal year 2022, while the total number of active clients who received one or more program benefits in fiscal year 2022 decreased by 1,560 clients, or about 10 percent, as compared with fiscal year 2021. The KHC program has open-enrollment fee-for-service contracts with 646 dialysis facilities, which is a decrease of 61 facilities from fiscal year 2021. The decrease can be attributed in part to clinic closure during the COVID-19 pandemic, and in part to new system requirements resulting from the conversion to a new provider enrollment system, the Provider Enrollment Management System. KHC is actively engaging with providers on the enrollment process.

KHC surveyed stakeholders to gain more information about program utilization and current community needs. The results were inconclusive and did not identify a primary cause for the decline in program utilization. Some of the reasons cited were an overall decline in the number of open clinics throughout the COVID-19 pandemic, competing staff resources to process client applications at a dialysis facility level, and a decline in submitting applications as interested applicants are more frequently over the program's income eligibility level.

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
ESRD	End-stage Renal Disease
HHSC	Health and Human Services Commission
KHC	Kidney Health Care