

Kidney Health Care Program Report

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

**Texas Health and Human Services
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TEXAS
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Executive Summary

[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 2023 include:

- Program expenditures for client services totaling \$9,650,515, including \$6,413,202 in general revenue, \$19,940 in recouped funds, and \$3,217,373 in rebates from drug manufacturers.¹
- Cost per client expenditures for the transportation benefit increased approximately 24 percent from fiscal year 2022 to fiscal year 2023.
- Cost per client expenditures for the medical benefit decreased approximately 16 percent from fiscal year 2022 to fiscal year 2023.
- Overall, annual cost per client for an individual receiving one or more benefits averaged approximately \$688 pre-rebate and \$459 post-rebate; an approximate 19 percent increase in annual cost per client from fiscal year 2022 to fiscal year 2023.

Notable client findings for fiscal year 2023 include:

- Of the 19,360 clients enrolled in the program, 14,028 received one or more program benefits.
- The largest demographic of active enrolled clients self-identified as Hispanic, accounting for 9,187 clients, or 47 percent. Demographics remain consistent

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.

with the previous fiscal year across age, race, gender, and income, often varying by less than one percentage point.

- The program approved 1,811 new clients in fiscal year 2023.

Background

The KHC program provides 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,²
- Costs related to Medicare prescription drug deductibles, co-insurance amounts, premium payment assistance, and Part D “gap” expenditures which accrue during the clients’ waiting period for Medicare coverage;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 of the disease;
- 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

The KHC program demographics for fiscal year 2023 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 2023, the program approved 1,811 new client applications. All data and statistics for KHC client demographics are from the Texas Integrated Business Information System.⁵

Compared to 1,816 new clients in fiscal year 2022, the number of newly approved clients remained largely unchanged at 1,811 in fiscal year 2023. For the second consecutive year the program saw a decrease in the total number of active clients who received one or more program benefits.

[Table 1](#) shows that, as of August 31, 2023, the KHC program had 19,360 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 2023

Age	Number	Percent
0-19	3	0.01%
20-34	683	3.53%
35-44	1,975	10.20%
45-54	4,079	21.07%
55-64	5,806	29.99%
65-74	4,948	25.56%
75 and up	1,866	9.64%
Total	19,360	100%

⁵ Annual Reports, fiscal year 2023, Texas Integrated Business Information System as of August 31, 2023, accessed on January 9, 2024.

Table 2. Gender of Active Clients - Fiscal Year 2023

Gender	Number	Percent
Female	7,811	40.35%
Male	11,549	59.65%
Total	19,360	100%

Table 3. Race/Ethnicity of Active Clients - Fiscal Year 2023

Race/Ethnicity	Number	Percent
African American	5,340	27.58%
Hispanic	9,187	47.46%
White	4,225	21.82%
Other ⁶	608	3.14%
Total	19,360	100%

Table 4. Gross Annual Income of Active Clients - Fiscal Year 2023

Gross Annual Income	Number	Percent
Under \$20,000	10,450	53.98%
\$20,000-\$29,999	4,025	20.79%
\$30,000-\$39,999	2,315	11.96%
\$40,000-\$49,999	1,572	8.12%
\$50,000-\$59,999	992	5.12%
\$60,000+	6	0.03%
Total	19,360	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.

As of August 31, 2023, 14,028 clients received one or more benefits in fiscal year 2023. [Table 5](#) below 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 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.

Table 5. Annual Cost by Benefit - Fiscal Year 2023

Benefit Category	Clients Served	Average Cost Per Client Pre-Rebate	Average Cost Per Client Post-Rebate ⁸	Total Cost Pre-Rebate	Total Cost Post-Rebate
Prescription Drug	4,012	\$814.70	\$12.76	\$3,268,569.61	\$51,196.61
Transportation	10,609	\$494.98	\$494.98	\$5,251,222.93	\$5,251,222.93
Medicare Part D Premium Assistance	3,732	\$204.74	\$204.74	\$764,084.50	\$764,084.50
Medical	132	\$2,777.56	\$2,777.56	\$366,637.67	\$366,637.67

In fiscal year 2023, there were 14,028 individual clients served, and 18,485 benefits received throughout all categories.

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

⁸ Average cost per client post-rebate is calculated using \$3.217 million in rebates from drug manufacturers.

The total average annual cost per individual client served pre-rebate is approximately \$688, for total client expenditures pre-rebate of \$9.650 million. The KHC program earned approximately \$3.217 million in drug manufacturer rebates, which reduced the total amount of KHC program expenditures. The total average annual cost per individual client served post-rebate is approximately \$459, for a total client expenditure post-rebate of \$6.433 million.

Prescription Drug Benefits

The KHC program prescription drug benefit is available to clients who are not eligible for drug coverage under a private or 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 on the KHC program drug formulary (i.e., list of covered drugs), requires a \$6 co-pay, and must be obtained from one of 5,210 participating pharmacies.

[Table 5](#) above shows that 4,012 KHC program clients received prescription drug benefits at an average annual pre-rebate cost per client served of \$815 in fiscal year 2023. Applying rebates reduced the average annual cost to \$13 per client served. 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 2023, 14,326 KHC clients were eligible for coordinated prescription drug benefits. Of this total, 6,262 were enrolled with a stand-alone Part D drug plan, and 8,064 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, with a reimbursement rate of \$0.25 per mile. Clients eligible for transportation benefits under the Medicaid Medical Transportation Program are not eligible to receive KHC program transportation benefits. [Table 5](#) shows that 10,609 KHC program clients received a travel benefit for an average cost of \$495 per client, per year. The program saw a 24 percent increase in average cost for fiscal year 2023 due to an increase in overall benefit utilization.

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 2023, 6,262 clients were enrolled in the Medicare Part D stand-alone drug plan, and 56 percent of these enrollees received a subsidy. Clients enrolled in a Medicare Advantage plan totaled 8,064, and 62 percent received a subsidy.

The KHC program has executed agreements with seven 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 2023, 3,732 clients received Part D premium payment assistance at an average annual cost of \$205 per client.

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 132 clients received medical benefit, for an average cost per client of \$2,778 per year. This represents a decrease of 16% compared to the average cost per client of \$3,315 in the previous fiscal 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. As of August 31, 2023, the KHC program has open-enrollment fee-for-service contracts with 690 dialysis facilities, which is a 7 percent increase from 646 facilities in fiscal year 2022. Clinics are successfully responding to new system requirements resulting from the conversion to a new provider enrollment system, the Provider Enrollment Management System.

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.

Program Initiatives

In fiscal year 2023, the KHC program initiated a project to develop and launch an online resource center offering the public information on chronic kidney disease (CKD). This project was launched by a recommendation by the Chronic Kidney Disease Task Force, to establish a comprehensive resource center in their Fiscal year [2021](#) and [2023](#) reports with the goal to educate the public regarding CKD and with an emphasis on preventing the onset of kidney disease. The program has contracted with The University of Texas Health Science Center at San Antonio's Division of Nephrology to develop relevant website content.

Also, the KHC program made a significant addition to the KHC Drug Formulary starting September 1, 2022. To understand declining expenditures for drug benefits for current KHC clients, program staff began evaluating the relevance of the program drug formulary. The Customer Service team began tracking requests from clients and providers for additions to the formulary. The program identified a need to cover current therapeutic options for treating depression and anxiety. Following evaluation of clinical relevance to ESRD treatment, fiscal impact to program, and input from clients and providers, anti-depressant medications were included in the formulary for the first time.

The KHC program also made improvements to its application to make processing the document more efficient. Throughout the recent fiscal year, client services leadership engaged with community social workers from enrolled KHC providers on a quarterly basis to provide training, education, and guidance. During these facilitated calls, program sought stakeholder feedback to modernize our application document, and the client enrollment process. As a result of the feedback discussed with these KHC stakeholders, program staff removed sections of the application that were duplicative or outdated, resulting in a streamlined client application. The modernized application launched in August 2023 and resulted in administrative improvements to make processing applications more efficient.

The KHC program looks to improve processes that will encourage more Texans to apply for the program and improve utilization of benefits for current program recipients. Program subject matter experts engage in regular multidisciplinary program improvement meetings. Through these meetings, KHC is exploring program and process improvement projects by:

- Increasing awareness of benefits for active clients through online and paper mailer outreach;
- Continuing ongoing stakeholder engagement through facilitated provider conference calls;
- Evaluating impact of Medicare Part B-Immunosuppressive Drugs (Part B-ID) federal legislation on KHC benefits; and
- Continuing to evaluate the program drug formulary to ensure it remains therapeutically relevant and effective.

Conclusion

KHC program expenditures for client services totaled approximately \$9.650 million in fiscal year 2023. This is an increase of \$502,995 in total expenditures from fiscal year 2022. Notable changes in individual expenditure categories include a 24 percent increase in transportation costs per client; and a 16 percent decrease in medical-services benefit costs per client from fiscal year 2022 to fiscal year 2023. Over the same time period, the overall average cost per client post rebate increased by about 19 percent. The increase in transportation spending is a result of increased utilization of this benefit from existing clients. The decline in medical-services expenditures may be attributed to clients' accessing Medicare coverage more quickly, resulting in a decreased need for KHC to pay during the pre-Medicare waiting period.

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

List of Acronyms

Acronym	Full Name
CKD	Chronic kidney disease
ESRD	End stage renal disease
HHSC	Health and Human Services Commission
KHC	Kidney Health Care