

# **Kidney Health Care Program Report**

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

**Texas Health and Human  
Services  
February 2022**



**TEXAS**  
Health and Human  
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## Executive Summary

The *Kidney Health Care Program Report* for fiscal year 2021 is submitted in compliance with [Texas Health and Safety Code, Section 42.016](#). Section 42.016 requires HHSC to submit a report annually, by February 1, to the Governor and the Legislature. 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.

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, financial assistance with transportation, approved medications, and the payment of premiums in some instances.

Notable financial findings for fiscal year 2021 include:

- Program expenditures for client services totaled approximately \$9.511 million, to include \$5,473,837 million in general revenue and \$4,037,888 million in rebates<sup>1</sup> from drug manufacturers.
- Program expenditures for active clients receiving one or more benefits averaged \$578.26 pre-rebate and \$332.78 post-rebate annually.

Notable client findings for fiscal year 2021 include:

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<sup>1</sup> In accordance with 2021-22 General Appropriations Act, 87th Legislature, Regular Session 2021 (Article II, Health and Human Services Commission, Rider 107), rebates earned from drug manufacturers are used to supplement the state general revenue appropriated funds to continue reimbursement for the program's client services needs through the fiscal year. Program collected approximately \$5.6 million in rebates from drug manufacturers. Rebates from Quarters 3 and 4 in fiscal year 2020 were attributed to fiscal year 2021, leading to a larger amount collected than expended. Program was able to use rebate funds to offset KHC program expenditures for prescription drugs. Total rebate amounts collected exceed total prescription costs, but drug rebates are not fully processed at the time of reporting.

- Out of the 20,990 active clients enrolled in the program, there were 16,449 clients receiving one or more program benefits and 4,541 clients who did not receive any program benefits in fiscal year 2021.
- The largest demographic of clients receiving one or more benefits self-identified as Hispanic, accounting for a total of 9,961, or 47.5 percent.
- Demographics remain consistent with the previous fiscal year across age, race, and gender, often varying by less than two percentage points. In contrast, the percentage of clients with incomes under \$20,000 decreased by almost 14 percent in fiscal year 2021, or 11,835 clients. 56 percent of clients now have incomes under \$20,000. In the previous fiscal year, this group accounted for almost 71 percent of clients. All other income categories experienced an increase in number of clients.
- There was an almost 17 percent decrease in newly approved clients from 2,157 clients in fiscal year 2020 to 1,774 clients in fiscal year 2021. Many factors may have contributed to this decrease in new clients, as well as decreases in overall expenditures, including barriers in seeking health care services during the ongoing COVID-19 pandemic; federal policy changes during this fiscal year promoting greater use of home dialysis by increasing reimbursement for new equipment and supplies for use at home; and changes in coordinated drug claims, as Medicare now covers more prescription drug costs for ESRD treatment. The KHC program has not identified a single primary cause of these decreases and program staff are currently surveying stakeholders to gain more information about program utilization and current community needs.

ESRD facilities have been operational during the COVID-19 pandemic, and Health and Human Services Commission (HHSC) staff continue to process applications as they are received.

# 1. 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 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;<sup>2</sup>
- assisting with costs related to Medicare prescription drug deductibles, co-insurance amounts, premium payment assistance, and Part D “gap” expenditures;<sup>3</sup> and
- assisting with transportation costs associated with ESRD treatment.<sup>4</sup>
- To be eligible for the KHC program, a client must meet program criteria:
  - ▶ ESRD diagnosis;

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<sup>2</sup> 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 during this time. The KHC program can help cover costs during this time.

<sup>3</sup> 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. Once the dollar amount has been met, the client moves into the next Medicare drug benefit level, the catastrophic coverage stage.

<sup>4</sup> Medicare does not provide reimbursement for transportation.

- ▶ regular course of renal dialysis treatments or a kidney transplant;
- ▶ ineligibility for full Medicaid benefits;
- ▶ 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 System.<sup>5</sup>

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<sup>5</sup> Annual Reports, fiscal year 2021, Texas Integrated Business Information System as of August 31, 2021, accessed on November 23, 2021.

## 2. Demographics

KHC program demographics for fiscal year 2021 active clients are provided in Tables 1 through 4 below. Active clients are clients who completed a KHC program application for benefits, 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, 2021, the KHC program had 20,990 active clients, and the majority were between 55-64 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 2021 was 16,449. The total number of new clients who completed a KHC program application for benefits, met all eligibility criteria, and were approved to receive benefits was 1,774.

**Table 1. Age of Active Clients - Fiscal Year 2021**

<b>Age</b>	<b>Number</b>	<b>Percent</b>
<b>0-19</b>	13	0.06%
<b>20-34</b>	771	3.67%
<b>35-44</b>	2,120	10.10%
<b>45-54</b>	4,415	21.03%
<b>55-64</b>	6,371	30.35%
<b>65-74</b>	5,276	25.14%
<b>75 and up</b>	2,024	9.64%
<b>Total</b>	20,990	100.00%

**Table 2. Gender of Active Clients - Fiscal Year 2021**

<b>Gender</b>	<b>Number</b>	<b>Percent</b>
<b>Female</b>	8,491	40.45%
<b>Male</b>	12,499	59.55%
<b>Total</b>	20,990	100.00%

**Table 3. Race/Ethnicity of Active Clients - Fiscal Year 2021**

<b>Race/Ethnicity</b>	<b>Number</b>	<b>Percent</b>
<b>African American</b>	5,692	27.12%
<b>Hispanic</b>	9,961	47.46%
<b>White</b>	4,741	22.59%
<b>Other<sup>6</sup></b>	596	2.84%
<b>Total</b>	20,990	100.00%

**Table 4. Gross Annual Income of Active Clients - Fiscal Year 2021**

<b>Gross Annual Income</b>	<b>Number</b>	<b>Percent</b>
<b>Under \$20,000</b>	11,835	56.38%
<b>\$20,000-\$29,999</b>	4,193	19.98%
<b>\$30,000-\$39,999</b>	2,420	11.53%
<b>\$40,000-\$49,999</b>	1,570	7.48%
<b>\$50,000-\$59,999</b>	966	4.60%
<b>\$60,000+</b>	6	0.03%
<b>Total</b>	20,990	100.00%

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



### 3. 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, 2021, a total of 16,449 clients received one or more benefits for fiscal year 2021. Table 5 includes a breakdown of annual costs by benefit type and includes average cost per client and total average cost.<sup>7</sup>

**Table 5. Annual Cost by Benefit - Fiscal Year 2021**

<b>Benefit</b>	<b>Number of Clients<sup>8</sup></b>	<b>Average Cost Per Client Pre-rebate</b>	<b>Average Cost per Client Post-Rebate<sup>9</sup></b>	<b>Total Cost Pre- Rebate</b>	<b>Total Cost Post- Rebate</b>
<b>Prescription Drug</b>	4,354	\$927.82	\$0.42	\$4,039,719.81	\$1,831.83 <sup>10</sup>
<b>Transportation</b>	12,311	\$308.91	\$308.91	\$3,802,955.39	\$3,802,955.39
<b>Medicare Part D Premium Assistance</b>	6,570	\$206.24	\$206.24	\$1,354,965.35	\$1,354,965.35
<b>Medical</b>	79	\$3,975.76	\$3,975.76	\$314,084.74	\$314,084.74
<b>Total</b>	16,449 <sup>11</sup>	\$578.26	\$332.78	\$9,511,725.29	\$5,473,837.31

<sup>7</sup> Expenditure data represents only clients that have received one or more program benefit and for whom claims have been paid.

<sup>8</sup> The total number of clients represents the number of clients who received a benefit in the associated category in fiscal year 2021.

<sup>9</sup> The average cost per client post-rebate is calculated after applying \$4.037 million in rebates from drug manufacturers.

<sup>10</sup> The data provided represents point in time reporting. Total rebate amounts collected exceed total prescription costs, however drug rebates are not fully processed at the time of reporting.

<sup>11</sup> The total is less than the sum of the client counts due to some clients having received benefits in more than one category.

## 4. Prescription Drug Benefits

Table 5 shows 4,354 KHC program clients received prescription drug benefits at an average annual pre-rebate cost per client served of \$927.82.

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 (i.e., list of covered drugs), requires a \$6 co-pay, and must be obtained from one of 5,713 participating pharmacies.

In fiscal year 2021, 4,354 clients received prescription drug benefits. 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 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 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 bills Medicare first, and any co-insurance or copay that Medicare requires the client to pay will be paid by KHC. The client will have no out-of-pocket costs on these coordinated claims.

In fiscal year 2021, 15,127 KHC clients were eligible for coordinated prescription drug benefits. Of this total, 9,474 were enrolled with a stand-alone Part D drug plan, and 5,653 were enrolled with a Medicare Advantage (Part C) plan.

## **Medicare Part B Immunosuppressive Drugs**

The KHC program is the secondary payer of immunosuppressive drugs for kidney transplant patients when Medicare is the primary payer. 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 drugs maximum from the KHC program drug formulary per client per month.

## **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 Social Security Administration, and not eligible for Medicaid payment of Medicare premiums.

## 5. Transportation

Table 5 shows 12,311 KHC program clients received a travel benefit for an average cost per client of \$308.91 per year. The KHC program increased mileage reimbursement from 13 cents per mile to 20 cents per mile beginning May 1, 2021. Clients eligible for travel benefits are now reimbursed at 20 cents per mile, round-trip. Additionally, the KHC program increased the number of allowable trips monthly from 13 to 14, beginning May 1, 2021. 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.

## 6. Medicare Subsidy 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 plans, Medicare Part C Advantage plans, or Social Security Administration subsidies. In fiscal year 2021, 9,474 clients were enrolled in the Medicare Part D stand-alone drug plan, and 39 percent of these enrollees received a subsidy. Clients enrolled in a Medicare Advantage plan totaled 5,653, and 37 percent received a subsidy.

Table 5 shows 6,570 clients received Part D premium payment assistance at an average annual cost of \$206.24. The KHC program has executed agreements with eight 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.

## 7. Medical Services

Table 5 shows 79 clients received a medical benefit for an average cost per client of \$3,975.76 per year. 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.

### 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 707 dialysis facilities. Dialysis treatment is provided to clients during the pre-Medicare qualifying period.

### 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.

## 8. Conclusion

In fiscal year 2021, KHC program expenditures for client services totaled \$9.511 million. This represents a decline in expenditures of \$1 million dollars compared with fiscal year 2020. There were roughly the same number of clients who received one or more program benefits in fiscal year 2021 as compared with fiscal year 2020, with a decrease of about 5 percent or 1,000 clients. There was a decline in individual benefit type utilization in all benefit categories: prescription drug, transportation, Part D assistance, and medical services. Additionally, there was a significant decrease in clients whose income was less than \$20,000 annually, decreasing from 15,687 clients in fiscal year 2020 to 11,835 in fiscal year 2021. There was also an almost 17 percent decrease in newly approved clients from 2,157 clients in fiscal year 2020 to 1,774 clients in fiscal year 2021.

Many factors may have contributed to these decreases, including barriers in seeking health care services during the ongoing COVID-19 pandemic; federal policy changes during this fiscal year promoting greater use of home dialysis; and changes in coordinated drug claims, as Medicare now covers more prescription drug costs for ESRD treatment. The KHC program has not identified a single primary cause of these decreases and program staff are currently surveying stakeholders to gain more information about program utilization and current community needs.

ESRD facilities have been operational during the COVID-19 pandemic, and HHSC staff continue to process applications as they are received. CMS data<sup>12</sup> from January 2020 through August 2021 shows ESRD patients carry an increased risk of COVID-19 cases, as well as a higher rate of hospitalization due to COVID-19. If KHC clients are hospitalized due to COVID-19, they do not utilize KHC program services. The population served by this program has also been affected by federal policy changes during this fiscal year. Effective January 1, 2021, a federal policy change promoted greater use of home dialysis by increasing reimbursement for new equipment and supplies for use at home. Preliminary review also shows an increase in zero cost claims for prescription drugs, indicating that Medicare is currently covering more prescription drug costs associated with ESRD treatment.

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<sup>12</sup> [Preliminary Medicare COVID-19 Data Snapshot](#), January 1, 2020 to August 21, 2021, Centers for Medicare & Medicaid Services, accessed on December 7, 2021.

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

<b>Acronym</b>	<b>Full Name</b>
CRD	Chronic Renal Disease
ESRD	End-stage Renal Disease
HHSC	Health and Human Services Commission
KHC	Kidney Health Care