



Kidney Health Care Program Report

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

**Texas Health and Human Services
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Executive Summary

Texas [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 and approved medications. The program also provides payment for insurance premiums and transportation, which is the program's largest benefit expenditure.

Notable financial findings for fiscal year 2024 include:

- Program expenditures for client services totaled \$9,237,054, including \$5,874,066 in general revenue, \$56,132 in recouped funds from drug rebates, and \$3,306,856 in rebates from drug manufacturers.¹
- The total cost post-rebate for prescription drugs decreased significantly as program prioritized utilizing rebate money to fund prescription drug costs. The cost per client expenditures for the medical benefit increased approximately 13 percent from fiscal year 2023 to fiscal year 2024.
- Overall, annual cost per client for an individual receiving one or more benefits averaged approximately \$665 pre-rebate and \$427 post-rebate, an approximate 7 percent decrease in annual cost per client from fiscal year 2023 to fiscal year 2024.

Client findings for fiscal year 2024 include:

- Of the 19,310 clients enrolled in the program, 13,891 received one or more program benefits.
- The program approved 2,039 new clients in fiscal year 2024.

¹ In accordance [with the 2024-25 General Appropriations Act, 88th Legislature, Regular Session, 2023 \(Article II, Health and Human Services Commission, Rider 114\)](#), rebates earned from drug manufacturers supplement the state general revenue appropriated funds to reimburse the program's client services needs through the fiscal year. Since KHC is the payor of last resort, it can recoup funds accordingly.

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, prescription 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:

- 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;

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.

- Have a household gross income of less than \$60,000 per year; and
- Be a Texas resident.

Demographics

The KHC program demographics for enrolled clients for fiscal year 2024 are provided in Tables 1 and 2 below. Enrolled 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 2024, the program approved 2,039 new client applications. All data and statistics for KHC client demographics are from the Texas Integrated Business Information System.⁵

Compared to 1,811 new clients in fiscal year 2023, the number of newly approved clients increased slightly to 2,039 in fiscal year 2024. The program experienced an increase in the total number of enrolled clients who received one or more program benefits.

As of August 31, 2024, the KHC program had 19,310 enrolled clients. The majority of clients are 55 years or older (see Table 1 below) and have a gross annual income below \$20,000 (see Table 2 below). This has remained a consistent characteristic since fiscal year 2021.

Table 1. Age of Enrolled Clients - Fiscal Year 2024

Age	Number	Percent
0-19	7	0.04%
20-34	638	3.30%
35-44	1,909	9.88%
45-54	4,043	20.94%
55-64	5,771	29.89%
65-74	4,982	25.80%
75 and up	1,960	10.15%
Total	19,310	100%

⁵ Annual Reports, fiscal year 2024, Texas Integrated Business Information System as of August 31, 2024, accessed on November 22, 2024.

Table 2. Gross Annual Income of Enrolled Clients - Fiscal Year 2024

Gross Annual Income	Number	Percent
Under \$20,000	10,185	52.74%
\$20,000-\$29,999	4,097	21.22%
\$30,000-\$39,999	2,349	12.16%
\$40,000-\$49,999	1,627	8.43%
\$50,000-\$59,999	1,048	5.43%
\$60,000+	4	0.02%
Total	19,310	100%

Expenditures and Benefits

The eligibility for 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.

As of August 31, 2024, the program served 13,891 clients, processing 18,211 benefit claims. Clients can receive benefits in more than one category; therefore, the total number of active clients does not represent the total number of clients receiving benefits. Table 3 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.⁶

Table 3. Annual Cost by Benefit - Fiscal Year 2024

Benefit Category	Clients Served	Average Cost Per Client Pre-Rebate	Average Cost Per Client Post-Rebate ⁷	Total Cost Pre-Rebate	Total Cost Post-Rebate
Prescription Drug	3,944	\$838.48	\$0.03	\$3,306,971.87	\$115.82
Transportation	10,391	\$483.70	\$483.70	\$5,026,159.87	\$5,026,159.87
Medicare Part D Premium Assistance	3,816	\$187.47	\$187.47	\$715,381.60	\$715,381.60
Medical	60	\$3,142.34	\$3,142.34	\$188,540.18	\$188,540.18

The total average annual cost per individual client served pre-rebate is approximately \$665, for total client expenditures pre-rebate of \$9.237 million. The KHC program earned approximately \$3.306 million in drug manufacturer rebates, which reduced the total amount of KHC program expenditures. The total average

⁶ Expenditure data represents only clients that have received one or more program benefits and for whom claims have been paid.

⁷ Average cost per client post-rebate is calculated using \$3.306 million in rebates from drug manufacturers.

annual cost per individual client served post-rebate is approximately \$427, for a total client expenditure post-rebate of \$5.930 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 4,986 participating pharmacies.

[Table 3](#) above shows that 3,944 KHC program clients received prescription drug benefits at an average annual pre-rebate cost per client served of \$838 in fiscal year 2024. Applying rebates reduced the average annual cost to \$0.03 per client served. HHSC prioritized utilizing rebate money to fund prescription drug costs.

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 bills Medicare first, then the KHC program pays any co-insurance or copay that Medicare requires the client to pay. The client has 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 2024, 14,093 KHC clients were eligible for coordinated prescription drug benefits. Of this total, 5,256 were enrolled with a stand-alone Part D drug plan, and 8,837 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 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 rate is \$200 per month for up to 14 visits, with a mileage reimbursement of \$0.25 per mile. Clients eligible for transportation benefits under the Medicaid Medical Transportation Program cannot receive KHC program transportation benefits. [Table 3](#) shows that 10,391 KHC program clients received a travel benefit for an average of \$484 per client per year. There was a slight decline in the utilization of this benefit with a two percent decrease in fiscal year 2024 compared to fiscal year 2023. Program attributes the decline to limitations of current eligibility policies and procedures, which is discussed in more detail below in the conclusion.

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 2024, 5,256 clients were enrolled in the Medicare Part D stand-alone drug plan, and 59 percent of these enrollees received a subsidy. Clients enrolled in a Medicare Advantage plan totaled 8,837, and 66 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 3](#) shows that in fiscal year 2024, 3,816 clients received Part D premium payment assistance at an average annual cost of \$187.47 per client.

Medical Services

The KHC 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.

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 covers 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.

[Table 3](#) shows 60 clients received medical services benefits, for an average cost per client of \$3,142 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. As of August 31, 2024, the KHC program has open-enrollment fee-for-service contracts with 700 dialysis facilities, which is a minor increase from 690 facilities in fiscal year 2024.

Program Initiatives

In October 2024, the KHC program launched an [online resource center](#) that provides Texans information on chronic kidney disease (CKD) following a recommendation from the Chronic Kidney Disease Task Force to establish a comprehensive resource center.⁸ The initiative aims to educate the public regarding CKD, with an emphasis on preventing the onset of kidney disease. HHSC contracted with the Division of Nephrology at the University of Texas Health Science Center in San Antonio to develop relevant website content. The website will be updated regularly with new content to reflect advancements in CKD prevention and treatment.

Throughout fiscal year 2024, a multidisciplinary KHC program workgroup met routinely with the goal to identify and implement projects aimed at enhancing the KHC program. The internal program workgroup includes clinical team members, eligibility and customer service specialists, provider relations specialists, claims and reimbursement specialists, as well as compliance and data analysts. Among the completed projects was the creation of client-facing materials that guide and inform them about the services available. The workgroup also developed materials to address frequently asked questions from clients. To modernize, the workgroup initiated a direct deposit project for travel reimbursements. Direct deposit ensures that clients receive their financial assistance benefits promptly, without delays. This change not only improves efficiency but also generates cost savings for the agency. Since implementation, the KHC program has experienced a steady increase in the number of clients choosing this payment method.

The workgroup has made significant progress by adding an immunosuppressive drug in two different strengths to the KHC drug formulary. They are also working on streamlining the process for adding new drugs to the formulary. The KHC program has been collaborating closely with the new pharmacy claims processing vendor to ensure clients can access their eligible drug benefits as quickly and easily as possible.

The KHC program has initiated several other program and process improvement projects, which include:

⁸ The HHSC KHC online resource center:
<https://www.hhs.texas.gov/services/health/chronic-kidney-disease>

- Ongoing engagement with stakeholders through quarterly facilitated provider calls;
- Continuous evaluation of the program drug formulary to ensure it remains therapeutically relevant and effective; and
- Enhancing customer service logistics by updating and modernizing the KHC program call center with clear hold messaging, and refining data about incoming calls.

Conclusion

In fiscal year 2024, the KHC program's client services expenditures totaled approximately \$9.237 million. This represents an overall decrease of \$413,461 compared to fiscal year 2023. The average cost per client, post-rebate, decreased by about seven percent. During this same time, there was a 13 percent increase in medical-services benefit costs per client from fiscal year 2023 to fiscal year 2024. The program attributes the overall decrease to prioritizing rebates to fund prescription drug costs.

A priority for KHC in the coming fiscal year is to enroll and serve more eligible Texans. The program has seen a decline in client enrollment and overall utilization of benefits in recent years due to limitations of current eligibility policies and procedures. For example, the current KHC financial eligibility requirement was established in the Texas Administrative Code almost three decades ago. The income limit has remained static without cost-of-living adjustments or consideration of the household size per the federal poverty level. Additionally, current program policy does not include any requirement for enrolled clients to renew their eligibility. This results in out of date client information and impacts client benefit utilization. Program is engaged in research and communication with stakeholders to determine areas for program growth and improvement surrounding eligibility, enrollment, and available benefits.

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