

MEMORANDUM

Pursuant to the Balanced Budget Act of 1997, Medicare payments for direct and indirect Graduate Medical Education (GME) are carved out of the capitation rates paid to Medicare Advantage Organizations (MAOs). Beginning in 1998, hospitals with approved residency programs have been receiving direct Medicare GME payments on behalf of their MAO patients.

Since the Maryland rate setting system provides GME in rates, the goal of the HSCRC is to ensure that the direct payments from Medicare are passed along as savings to MAOs.

Attached you will find the calculation of the FY 2026 discounts effective July 1, 2025. Please remember that this discount is in addition to the 7.7% Medicare waiver differential and applies only to MAO patients. If you have any questions, you may contact Curtis Wills at curtis.wills@maryland.gov.

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