maryland
health services
cost review commission

TO: Hospital CFOs

FROM: Cait Cooksey, Deputy Director of Hospital Rate Regulation
Prudence Akindo, Associate Director of Financial Methodologies

DATE: October 28, 2026

RE: Distribution of $25 Million UCC Fund Enhancement

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On July 22, 2026, the Health Services Cost Review Commission (HSCRC) approved a $25 million hospital rate increase for Fiscal Year (FY) 2027 to bolster Uncompensated Care (UCC) Fund reserves and proactively mitigate the impacts of recent federal actions, including House Resolution 1 of 2025 (H.R. 1).[1] This memo outlines HSCRC's plans for implementing and distributing this $25 million increase including the timeline and monitoring parameters:

1. **Timeline:** To ensure data accuracy, any release of these reserves will not occur before January 2027, allowing sufficient time for data trends to develop. The Staff plan is to assess and make any additional funding to UCC as part of the January 1, 2027, rate update process, should the funds become eligible for distribution.

2. **Transparency:** HSCRC staff are committed to maintaining full transparency and will communicate with industry about any future distribution calculations and methodologies.

3. **RY 2029 UCC Funding Reconciliations:** While determinations for initial distributions will rely on quarterly updates to Write-off data, hospital-specific UCC adjustments in RY 2029 will be determined using the approved UCC methodology and any additional funding reconciled against any previously issued advances in RY 2027.[2]

When will the distribution of additional $25 million occur?

Staff will use the first quarter (Q1) of FY 2027 hospital write-off data submissions to determine growth in statewide write-offs to UCC.[3] If the results, when compared to the same period in FY 2025, show statewide Q1 patient level write-offs to UCC greater than or equal to $6.25 million, HSCRC would distribute the additional $25

[1] The $25 million was only approved for FY 2027 Update Factor. However, the Commission will consider continuing this funding as part of RY 2028 update factor https://hscrc.maryland.gov/Documents/July%202026%20Pre-Meeting%20Meeting%20PUBLICv3.pdf

[2] The approved UCC funding is determined prospectively; data from the most recently completed fiscal year is used to establish the actual UCC rate increase and pool contributions for the upcoming fiscal year. For example, the FY 2027 UCC funding is determined as a 50/50 blend of FY 2025 actual UCC (determined as bad debt and charity reported by hospitals on the RE schedules) and FY 2025 predicted UCC (determined by way of a logistic regression using the hospital Write-off data with a 9-month run-out to predict the likelihood of a patient having UCC based on their payer type, site of service and Area Deprivation index).

[3] Write-off data is due to the Commission starting October 16, 2026, (see FY 2027 Inpatient and Outpatient Production Schedules: https://hscrc.maryland.gov/Pages/hsp_info1.aspx)

million.[4] If the Q1 patient level write-offs to UCC do not meet this threshold, no additional distribution would occur in FY 2027.

Analyses of historical trends show that hospital patient level write-offs to UCC in Q1 are strongly correlated to the equivalent in the annual write-off data plus 9-month run-out used in the standard UCC policy (see Table 1a below). Additional analyses to assess the relationship between statewide patient level write-offs to UCC in the projection year and the equivalent in the actual performance year also indicates a relatively strong correlation (see table 1b).[5] As such, staff is confident in this preliminary distribution approach in FY 2027, albeit acknowledging that the impacts of H.R.1 may produce results that differ from historic trends.

Table 1a: Correlation Between Q1 UCC Write-offs and Annual with 9-month Run-out

	FY 2025	FY 2024	FY 2023	FY 2022
Correlation between Q1 annualized total patient level write-offs to UCC without 9-month run-out and Q1 patient level write-offs to UCC with 9-month run-out	0.6745	0.6748	0.7752	0.7331
Correlation between Q1 annualized patient level write-offs to UCC and 12 months patient level write-offs to UCC with 9-month run-out	0.6849	0.6924	0.7860	0.7917

Table 1b: Q1 Correlation between Q1 Write-offs to UCC in Performance and Projection Years[6]

	Correlation Coefficients	R-Square
FY 2026 Q1 Performance v. FY 2026 Q1 Projections	0.9138	83.50%
FY 2025 Q1 Performance v. FY 2025 Q1 Projections	0.8710	75.87%
FY 2024 Q1 Performance v. FY 2024 Q1 Projections	0.6360	40.45%

How will the $25 million be distributed?

At such a time when the $25 million is eligible for distribution, hospital-specific shares will be made relative to RY 2027 hospital-specific UCC fund payments. Due to coverage loses brought on by H. R. 1, Staff assume that all Maryland hospitals, although not at the same level, will record some increase to UCC in FY 2027. However, those hospitals already experiencing UCC greater than the Statewide UCC allotment in FY 2025 rates are more likely to record higher UCC amounts and should be awarded higher shares. Doing so retains the premise of the UCC Policy which ensures that all hospitals equitably share the burden of providing UCC to those who otherwise cannot afford care. Staff also prefer this approach over using Q1 data due to volatility concerns often associated with hospital claims processing and collection practices. It is important to note that the $25 million as approved is for distributions in FY 2027 only, therefore once the funds are distributed, no additional UCC funding can be made for FY 2027.

As always, we welcome industry feedback. Please direct any methodology related questions/concerns to Prudence Akindo prudence.akindo@maryland.gov and UCC Fund redistribution related questions to Chris Konsowski chris.konsowski@maryland.gov.

[4] $6.25 million is the quarterly equivalent of $25 million. Using FY 2025 as comparison period because this is the period used to project UCC funding for FY 2027

[5] Performance year is the FY year used to project UCC while Projection year is the update factor year when the projected UCC is implemented. For example, FY 2027 UCC performance serves as the basis for UCC projections implemented in the FY 2029 update factor while FY 2027 is the update factor rate year when FY 2027 UCC projections are implemented based on FY 2025 performance.

[6] See footnote 5 above