

## MEMORANDUM

**TO:** Chief Financial Officers**FROM:** Jon Kromm, Executive Director**DATE:** May 30, 2025**RE:** Public Payer Differential and Discounts for hospital services charged to programs that are funded by Maryland State Government and Local Governments within Maryland

The purpose of this memorandum is to clarify the application of the public payer differential and working capital and prompt payment discounts to programs that are funded by Maryland State Government and Local Governments within Maryland and that reimburse HSCRC-regulated hospitals for hospital services.

Consistent with the purpose of the differential, which is to avert hospital bad debt associated with regulated hospital services, the following policies apply to governmental payers of last resort for low-income, uninsured, and underinsured Marylanders:

1. Programs funded, in their entirety, by State or Local Governments (whether the program is administered directly by a State or Local Government Entity, their contractor, or another authorized organization) shall be entitled to the public-payer differential of 5.7 percent from HSCRC- approved rates;
2. The HSCRC's working capital and prompt payment discounts shall be available to Programs funded, in their entirety, by State or Local Governments (whether the program is administered directly by a State or Local Government Entity, their contractor, or another authorized organization), provided that the program meets the requirements as specified in COMAR 10.37.10.26B(1); and
3. Hospitals shall report the revenue billed to State government entities, local government entities contractors, and other authorized organizations on Line E (MCO subcontracted Medicare, Medicaid Revenue - HSCRC Regulated) of the Annual Cost Report, Schedule PDA (Payor Differential).

If you are unclear as to whether a program qualifies for the 5.7 percent differential or have any other questions, you may contact Claudine Williams or William Hoff at: [claudine.williams@maryland.gov](mailto:claudine.williams@maryland.gov), or [william.hoff@maryland.gov](mailto:william.hoff@maryland.gov).

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