



# Moore-Miller Administration Proposes 2026 Budget with Increased Medicaid Rate

The Moore-Miller Administration released its FY 2026 budget last week which included an increased Medicaid rate for physicians.

The budget represents an overall \$67.3 billion operating budget for the State of Maryland. In assembling the FY 2026 budget proposal, however, the Administration had to grapple with a \$3 billion budget deficit.

According to the Department of Fiscal Services, this level of budget gap represents the worst fiscal crisis the State has faced in decades, largely driven by spending commitments in areas of entitlements and education, spending gaps created by the evaporation of federal pandemic-related spending aid, and stagnant economic growth.

The State is constitutionally required to pass a balanced budget each year, so the full amount of the \$3 billion budget deficit must be addressed.

The Administration's budget proposal is the start of the budget negotiation process and will next be considered by the Maryland General Assembly which can make further additions, cuts, and other changes. Therefore, the Administration's proposals may be significantly altered. The House of Delegates will first consider the budget this year, and the House version will then go to the Senate for further consideration.

MedChi is reviewing the Administration's budget proposal to identify any enhancements or reductions that may impact physicians and patients.

We are pleased to report that the Administration's budget restores E&M payment rates to 100% of Medicare. The rates had been reduced to 98% of Medicare in mid-FY 2025. Restoring E&M codes to 100% is a core component of our advocacy agenda. For more legislative updates, click [here](#).

## Notable Revenue Enhancements Proposed By the Administration:

- \$2 billion in spending cuts through cost reduction and cost-saving measures, including plans to eliminate \$50 million of wasteful spending in State government.
- Higher rates on taxable income greater than \$500,000 (6.25%) and \$1 million (6.5%).
- A new 1% surcharge on capital gain income for high-income households for a period of four years.
- Cuts corporate tax rate from 8.25% to 7.99% over two years beginning in FY 2028.
- Implementing "combined reporting" that will treat all related U.S. business entities as single entities when determining their corporation's tax "nexus" in Maryland.
- Eliminates the inheritance tax and offsets the revenue loss by lowering the estate tax exemption from \$5 million to \$2 million.
- Increases the sports wagering tax rate from 15% to 30%.
- Increases the table game tax rate from 20% to 25%.
- Increases the cannabis tax rate from 9% to 15%, effective in FY 2027.

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