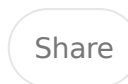
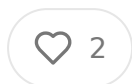


The MAC Attack: Why Prior Authorization Companies Must Maste Medicare's Administrative Labyrinth t Capitalize on CMS Innovation

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The Centers for Medicare and Medicaid Services has embarked on an ambitious journey to integrate prior authorization into Medicare through various pilot programs, creating unprecedented opportunities for health technology companies. However, the pathway to success runs directly through Medicare Administrative Contractors, the often-misunderstood intermediaries that serve as the operational backbone of Medicare administration. This analysis examines why prior authorization technology companies must develop sophisticated strategies for engaging MACs, explores the complex procurement and relationship dynamics within Medicare's administrative ecosystem, and provides actionable intelligence for companies seeking to capitalize on this regulatory shift. Through detailed examination of MAC operations, procurement patterns, and decision-making processes, this essay reveals how successful companies are positioning themselves to win in this evolving market while others stumble through fundamental misunderstandings of Medicare's administrative architecture.

- Introduction: The Prior Authorization Gold Rush
- Understanding the MAC Universe: More Than Just Claims Processors
- The Procurement Maze: How MACs Actually Buy Technology
- Relationship Architecture: Building Bridges in a Bureaucratic World
- Success Stories and Spectacular Failures: Learning from the Market
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- Future Outlook: Riding the Regulatory Wave
- Conclusion: Mastering the Administrative Labyrinth

The thoughts and opinions expressed in this essay are my own and do not reflect of my employer or any affiliated organizations.

The healthcare technology world has been buzzing with excitement over the Centers for Medicare and Medicaid Services recent experiments with prior authorization for Medicare, and rightfully so. After decades of Medicare operating as a largely post-payment audit environment, CMS has begun testing prior authorization requirements across various service categories, from durable medical equipment to advanced imaging and even certain physician services. The announcement of the Wasteful Inappropriate Service Reduction Model, launching in six states in January 2026, represents just the tip of the iceberg. For prior authorization technology companies that have spent years grinding through the complex world of commercial payer implementations, this represents something approaching a technological promised land: a massive, standardized market with clear regulatory backing and seeming unlimited growth potential.

Yet as I have watched company after company stumble through their initial attempts to crack the Medicare market, it has become painfully clear that most prior authorization vendors are approaching this opportunity with a fundamental misunderstanding of how Medicare actually works. They are treating it like a scaled-up version of selling to Anthem or Humana, when in reality, Medicare's administrative structure represents an entirely different beast altogether. The key to unlocking this market does not lie in perfecting your pitch to CMS headquarters in Baltimore or building relationships with policy wonks in Washington. Instead, success hinges on understanding and mastering relationships with Medicare Administrative Contractors, those oft-overlooked intermediaries that serve as the actual operational backbone of Medicare administration.

If you are running a prior authorization company and you do not yet have a sophisticated understanding of MAC operations, procurement processes, and relationship dynamics, you are essentially bringing a knife to a gunfight. The

companies that will dominate this emerging market are those that recognize MA not as bureaucratic obstacles to navigate around, but as essential partners whose success directly determines their own. This is not just about understanding the procurement process or knowing which MAC covers which geographic region. It is about developing deep institutional knowledge of how these organizations think and operate, and make decisions in an environment where regulatory compliance, operational efficiency, and political sensitivities intersect in complex and sometimes contradictory ways.

The stakes could not be higher. CMS processes over one billion claims annually through its MAC network, representing approximately 431.5 billion dollars in healthcare spending as of fiscal year 2023. The prior authorization programs currently being piloted represent just the beginning of what could become a fundamental shift in how Medicare manages utilization and cost. Early estimates suggest that widespread implementation of prior authorization across Medicare could affect anywhere from 20 to 40 percent of all Medicare services within the next decade, creating a market opportunity that dwarfs anything the commercial prior authorization space has ever offered. But this opportunity will only materialize for companies that understand how to navigate Medicare's unique administrative ecosystem.

The irony is that many prior authorization companies have been so focused on the regulatory and policy aspects of Medicare's prior authorization expansion that they have completely overlooked the operational realities. They spend months crafting responses to CMS innovation center requests for information while remaining completely ignorant of how MACs actually procure technology, what their budget cycles look like, or who within these organizations actually makes purchasing decisions. It is like preparing for a job interview by memorizing the company's mission statement while ignoring the actual job requirements.

What makes this oversight particularly puzzling is that MACs are not exactly shrouded in mystery. Currently there are 12 A/B MACs and 4 DME MACs in the program that process Medicare Fee-for-Service claims for nearly 51 percent of the total Medicare beneficiary population, approximately 34 million Medicare Fee-for-

Service beneficiaries. These are substantial organizations with clear organizational structures, published procurement processes, and accessible leadership teams. C Administrators employs around 1,000 people serving over 28 million Medicare beneficiaries across 38 states. Novitas Solutions operates with similar scale, managing contracts worth hundreds of millions of dollars covering multiple jurisdictions. The prior authorization vendor community continues to treat them like black boxes, making assumptions about their operations that would be laughable if the missed opportunities were not so significant.

Understanding MACs begins with recognizing what they actually are and why they exist. A Medicare Administrative Contractor is a private health care insurer that has been awarded a geographic jurisdiction to process Medicare Part A and Part B medical claims or Durable Medical Equipment claims for Medicare Fee-For-Service beneficiaries. These are not government employees sitting in federal buildings; they are typically large, sophisticated healthcare services companies like Anthem subsidiaries, Humana units, or independent contractors like CGS and Novitas that have invested heavily in the infrastructure and expertise required to handle Medicare administration. The MAC model emerged from Medicare's recognition that it needed private sector efficiency and expertise to handle the massive operational demand of administering healthcare benefits for over 65 million Americans.

The transformation from the old fiscal intermediary and carrier system to the current MAC structure represents one of the most significant operational changes in Medicare's history. Section 911 of the Medicare Prescription Drug Improvement and Modernization Act of 2003 directed CMS to replace the Part A Fiscal Intermediaries and Part B carriers with MACs according to the Federal Acquisition Regulation. This was not just a rebranding exercise; it was a fundamental restructuring that consolidated functions, expanded responsibilities, and created the integrated administrative framework that exists today.

Each MAC operates under a comprehensive contract with CMS that defines their responsibilities, performance metrics, payment structures, and operational requirements. These contracts are typically awarded for seven-year terms through competitive procurement processes that evaluate everything from technical

capabilities and past performance to cost proposals and organizational stability. stakes are enormous: MAC contracts represent hundreds of millions of dollars in revenue for winning organizations. Contract values can range from around 50 million dollars for smaller jurisdictions to close to one billion dollars for the largest territories, while the operational requirements are staggering in their complexity and scale.

What most prior authorization companies fail to appreciate is that MACs are simultaneously CMS contractors and independent businesses with their own strategic objectives, operational constraints, and competitive dynamics. They must balance CMS requirements with their own organizational goals, navigate complex relationships with healthcare providers and beneficiaries, and maintain profitability while delivering high-quality service in a highly regulated environment. This creates complex decision-making processes that are far more nuanced than the typical government procurement scenario that many vendors expect.

The operational scope of MAC responsibilities is breathtaking in its breadth and complexity. Beyond basic claims processing, MACs handle provider enrollment and certification, medical review and audit functions, appeals processing, provider education and outreach, beneficiary services, and increasingly, various quality improvement and care management initiatives. They maintain massive call centers, operate sophisticated IT infrastructure, employ thousands of clinical and administrative personnel, and manage relationships with hundreds of thousands of healthcare providers across their service areas. In fiscal year 2023, the MACs collectively served more than 1.2 million healthcare providers enrolled in the Medicare program and processed over 1.1 billion Medicare claims, comprised of approximately 192 million Part A claims and 950 million Part B claims.

For prior authorization companies, this operational complexity creates both opportunities and challenges. On one hand, MACs have deep expertise in managing prior authorization processes, extensive clinical review capabilities, and established relationships with providers and suppliers. They understand the operational realities of implementing prior authorization programs at scale and can provide valuable insights into what works and what does not. Companies like CGS have been mar-

limited prior authorization programs for durable medical equipment for years, and lack the practical experience that most commercial payers lack. On the other hand, MACs are already managing enormous operational loads, have limited budgets for new technology investments, and face intense scrutiny from CMS, Congress, and stakeholders regarding their performance and spending.

The geographic footprint of MAC operations adds another layer of complexity that prior authorization companies must understand. Unlike commercial payers that typically operate across multiple states with relatively consistent processes and systems, each MAC covers a specific geographic region and may have developed unique operational approaches, technology platforms, and provider relationships. Novitas Solutions manages both Jurisdiction H covering Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, and Texas, as well as Jurisdiction I covering Delaware, Maryland, New Jersey, Pennsylvania, and the Washington D.C. Metro Area. What works perfectly for Novitas in Texas might be completely inappropriate for CGS in Tennessee, not because of different regulatory requirements but because of different operational histories, technology infrastructures, and organizational cultures.

This geographic fragmentation means that prior authorization companies cannot simply develop a single solution and expect to deploy it uniformly across all MACs. Instead, they must be prepared to adapt their technology, implementation approach, and ongoing support models to accommodate the specific requirements and preferences of each MAC. This significantly increases the complexity and cost of market entry, but it also creates significant barriers to entry that benefit companies willing to make the necessary investments.

The technology landscape within MAC operations presents both opportunities and constraints that prior authorization companies must carefully navigate. Most MACs operate large, complex IT environments that blend legacy mainframe systems with modern web-based applications, creating integration challenges that would make experienced healthcare IT professionals weep. They have invested heavily in claims processing infrastructure, clinical review systems, and provider portals, but many are still running on technology platforms that were designed years or even decades ago.

This creates a classic innovator's dilemma for MACs: their existing systems work enough to handle current operational requirements, but they may lack the flexibility and capabilities needed to support new initiatives like prior authorization programs. Upgrading or replacing core systems represents enormous risk and expense, but continuing to operate on legacy platforms may limit their ability to compete for contracts or meet evolving CMS requirements. For prior authorization companies, this means that technology solutions must be designed to integrate with a wide variety of existing systems while providing clear pathways for future modernization.

The procurement processes that MACs use to acquire new technology and services reflect their unique position as private companies operating under government contracts. Unlike pure government procurement, which follows rigid federal acquisition regulations, or pure private sector procurement, which can be relatively straightforward, MAC procurement must balance private sector efficiency with government sector transparency and accountability. This creates procurement processes that are often more complex and time-consuming than either pure government or pure private sector acquisitions.

Most MACs have developed sophisticated procurement organizations that understand both their operational requirements and the regulatory environment in which they operate. They typically employ experienced procurement professionals who have worked in both government and private sector environments, and they have developed procurement processes that comply with both CMS requirements and their own internal policies. The Federal Acquisition Regulation framework that governs their primary contracts with CMS also influences how they structure their own vendor relationships, creating additional layers of compliance and documentation requirements.

For prior authorization companies, this means that successful sales efforts require understanding not just the technical requirements and business value proposition but also the specific procurement processes, timeline requirements, and approval hierarchies that each MAC employs. The sales cycles are typically much longer than in commercial payer environments, often taking 12 to 18 months from initial contact to contract execution. The evaluation processes are more formal and structured, with

detailed scoring criteria, multiple rounds of presentations, and extensive reference checking. The contract terms are more detailed and prescriptive, with specific performance metrics, service level agreements, and compliance requirements.

The budget cycles and financial constraints that govern MAC operations represent another critical factor that prior authorization companies must understand. MACs operate under multi-year contracts with CMS that define both their revenue and allowable costs in considerable detail. While they have some flexibility in how they deploy resources within these constraints, they do not have unlimited budgets for technology investments, and they must carefully justify any spending that is not directly related to their core operational requirements.

This creates a challenging environment for prior authorization companies, particularly those accustomed to the more flexible spending patterns of commercial payers. MACs must typically plan technology investments months or even years in advance, and they must demonstrate clear return on investment in terms of operational efficiency, cost savings, or improved performance metrics. The business case requirements are more rigorous, the approval processes more formal, and the implementation timelines more extended than most commercial environments.

However, for companies that understand and can navigate these constraints, the market offers certain advantages that commercial markets do not provide. Once a technology solution has been successfully implemented at a MAC, the relationship tends to be stable and long-term. MACs do not typically switch vendors frequently and they value partnerships with companies that demonstrate deep understanding of their operational requirements and regulatory environment. The revenue stream, while harder to establish initially, tends to be more predictable and sustainable than commercial payer relationships. Contract terms are typically longer, with built-in renewal options and expansion opportunities.

The regulatory environment surrounding MAC operations adds another layer of complexity that prior authorization companies must master. MACs operate under intense scrutiny from multiple oversight bodies, including CMS, the Department of Health and Human Services Office of Inspector General, the Government

Accountability Office, and Congress. Every aspect of their operations, from claim processing accuracy to customer service metrics, is subject to regular audit and review. Recent oversight reports have highlighted how even minor errors in processing can result in significant financial impacts, demonstrating the level of scrutiny these organizations face.

This regulatory environment means that any technology solution must not only meet operational requirements but also support MAC compliance obligations. The documentation requirements are extensive, the audit trails must be comprehensive, and the system security and privacy protections must meet or exceed government standards. Companies that underestimate these requirements or treat them as afterthoughts typically find their solutions rejected or their implementations significantly delayed.

The performance metrics that CMS uses to evaluate MAC performance provide important insights into what MACs value and how they make decisions. CMS publishes detailed performance data for each MAC across multiple categories, including claims processing accuracy, customer service metrics, appeals processing timeframes, and various quality measures. MACs are keenly aware of their performance rankings and are constantly looking for ways to improve their scores, particularly in areas where they are underperforming relative to their peers.

This creates opportunities for prior authorization companies that can demonstrate clear connections between their solutions and improved performance metrics. A prior authorization system that reduces inappropriate utilization while maintaining high levels of provider satisfaction could help a MAC improve both its medical review accuracy scores and its provider services metrics. Similarly, a solution that streamlines the prior authorization process could help reduce appeals volumes and improve processing timeframes.

The provider relations aspect of MAC operations represents both a critical success factor and a significant constraint for prior authorization implementations. MACs must maintain positive relationships with hundreds of thousands of healthcare providers who are already dealing with significant administrative burdens and

regulatory complexities. Introducing new prior authorization requirements with adequate preparation, training, and support can quickly damage these relationships and create political problems for both the MAC and CMS.

Successful prior authorization companies understand that MAC procurement decisions are heavily influenced by provider impact considerations. MACs want solutions that minimize provider burden, provide clear and timely communication, offer multiple interaction channels, and include comprehensive training and support programs. They are particularly sensitive to solutions that might create significant workflow disruptions or require providers to learn entirely new systems or processes. The provider community's sensitivity to administrative burden in Medicare, as evidenced by recent criticism of new prior authorization initiatives, makes this consideration even more critical.

The competitive landscape among MACs creates additional dynamics that prior authorization companies must understand and navigate. While MACs do not compete directly for beneficiaries like commercial payers do, they do compete for contract renewals and new contract awards. CMS evaluates MAC performance across multiple dimensions and uses these evaluations in making future contracting decisions. This creates incentives for MACs to invest in solutions that improve their competitive positioning while creating risks for investments that might not pay off within contract timeframes.

The contract renewal cycles also create specific timing opportunities for prior authorization companies. MACs approaching contract renewal periods may be particularly interested in investments that improve their competitive positioning, while those that have recently won new contracts may be more focused on operational stability and performance improvement. Understanding the contract status and competitive position of potential MAC partners is important for timing sales efforts and structuring relationships.

The organizational cultures within different MACs vary significantly based on their corporate parentage, operational history, and leadership philosophies. Some MACs embrace innovation and are willing to take calculated risks on new technologies

approaches, while others prefer proven solutions and incremental improvements. Some prioritize operational efficiency above all else, while others focus heavily on provider satisfaction or beneficiary services. These cultural differences significantly impact how MACs evaluate potential partners, make procurement decisions, and manage ongoing vendor relationships.

Understanding these cultural nuances requires more than just reading annual reports or attending industry conferences. It requires developing relationships with key personnel, understanding the informal networks and decision-making processes within each organization, and demonstrating genuine commitment to their success. The most successful prior authorization companies have invested in building these relationships over time, often assigning dedicated relationship managers to specific MAC accounts and participating actively in industry forums and working groups.

The human capital dynamics within MAC organizations present both opportunities and challenges for prior authorization companies. MACs employ thousands of experienced healthcare professionals, including physicians, nurses, pharmacists, and other clinical specialists who understand the complexities of medical review and utilization management. This represents a significant asset for prior authorization implementations, as these professionals can provide valuable insights into clinic workflows, medical necessity criteria, and provider communication strategies.

However, MACs also face ongoing challenges in recruiting and retaining qualified personnel, particularly in clinical roles that require specialized expertise in Medicare regulations and medical review processes. The compensation packages that MACs offer are often constrained by their contract structures, and they compete with hospitals, health plans, and other healthcare organizations for the same talent pool. This creates workforce stability issues that can impact technology implementation and ongoing operations.

For prior authorization companies, understanding MAC workforce dynamics is crucial for designing solutions that leverage existing capabilities while addressing resource constraints. Solutions that require extensive additional clinical staffing will be less attractive than those that enhance the productivity of existing personnel.

Similarly, solutions that require specialized technical expertise that MACs struggle to recruit and retain may face implementation and sustainability challenges.

The data and analytics capabilities within MAC organizations are generally more sophisticated than many prior authorization companies assume. Most MACs have invested heavily in data warehouses, analytics platforms, and reporting capabilities to support their operational requirements and CMS reporting obligations. They have access to comprehensive claims data, provider performance metrics, beneficiary utilization patterns, and various quality measures that can provide valuable insights for prior authorization program design and implementation.

However, the data systems within many MACs are complex and fragmented, with information residing in multiple systems that may not integrate seamlessly. Accessing and analyzing this data for prior authorization purposes often requires significant technical expertise and coordination across multiple organizational units. Prior authorization companies that can help MACs leverage their existing data assets by simplifying data integration and analysis processes are likely to be more successful than those that require extensive new data collection and management capabilities.

The appeals and grievance processes that MACs must maintain represent both a constraint and an opportunity for prior authorization implementations. Every prior authorization denial creates the potential for an appeal, and MACs must be prepared to handle these appeals efficiently while maintaining high levels of accuracy and fairness. Prior authorization systems that generate excessive appeals volumes or appeals that are difficult to process can quickly become problematic for MAC operations.

Successful prior authorization companies therefore invest heavily in developing solutions that minimize inappropriate denials, provide clear and comprehensive denial rationales, and support efficient appeals processing when denials are challenged. They understand that MAC success with prior authorization programs depends not just on achieving appropriate utilization levels, but also on maintaining operational efficiency and provider satisfaction throughout the entire process.

The integration requirements for prior authorization systems within MAC environments are typically far more complex than commercial payer implementations. MACs operate multiple interconnected systems that must continue to function seamlessly while new prior authorization capabilities are added. These systems can include legacy mainframe applications, modern web-based portals, electronic data interchange capabilities, and various specialized applications for different operational functions.

Prior authorization companies that underestimate these integration requirements attempt to implement standalone solutions that do not integrate properly with existing MAC systems typically face significant implementation challenges and ongoing operational problems. Successful companies invest heavily in understanding MAC technical architectures and developing solutions that integrate smoothly with existing systems while providing pathways for future modernization.

The testing and validation processes that MACs require for new systems are extensive and time-consuming, reflecting both their operational requirements and regulatory obligations. Prior authorization systems must be tested not just for basic functionality, but also for performance under production loads, integration with existing systems, compliance with regulatory requirements, and ability to handle various exception scenarios. The testing processes often involve multiple organizational units within the MAC and may require coordination with CMS and other stakeholders.

For prior authorization companies, this means that implementation timelines are typically much longer than commercial environments, and the resource requirements for testing and validation are substantial. Companies that plan for these requirements and build them into their project timelines and resource allocations are more likely to succeed than those that treat them as afterthoughts.

The ongoing support and maintenance requirements for prior authorization systems within MAC environments are also more complex than commercial implementations. MACs operate 24/7 operations that cannot tolerate system outages or performance problems, and they require vendor support models that can respond quickly to

operational issues. The regulatory environment means that system changes must be carefully planned, tested, and documented, and vendors must be prepared to support regulatory audits and reviews.

Looking toward the future, the continued evolution of prior authorization within Medicare will likely create additional opportunities and challenges for technology companies working with MACs. The WISeR Model pilot program represents just the beginning of what could become a much broader expansion of prior authorization requirements across Medicare. CMS's announcement that it will partner with third-party technology companies rather than relying solely on MACs for prior authorization reviews suggests that there may be multiple pathways for technology companies to participate in this market.

However, even if CMS contracts directly with technology companies for some prior authorization functions, MACs will likely continue to play critical roles in implementation, provider communication, appeals processing, and ongoing program management. This means that successful prior authorization companies will need to develop capabilities to work effectively with both CMS directly and with MACs implementation partners.

The competitive dynamics within the MAC market will continue to evolve as CMS considers various structural changes, including potential jurisdiction consolidation and contract term extensions. Recent requests for information regarding consolidation of MAC jurisdictions represent the kind of structural change that will significantly impact the market landscape. Companies that maintain close relationships with MAC leadership and stay informed about these potential changes will be better positioned to adapt and identify new opportunities as they emerge.

The regulatory environment surrounding Medicare administration will continue to evolve, creating both opportunities and challenges for prior authorization companies working with MACs. Changes in federal health policy, Congressional oversight activities, and CMS strategic initiatives will all influence how MACs operate and how they prioritize in their technology investments. The current political environment, with increased focus on fraud, waste, and abuse elimination, creates particular

opportunities for prior authorization solutions that can demonstrate clear value reducing inappropriate utilization.

In conclusion, the expansion of prior authorization within Medicare represents a significant opportunity for technology companies that understand how to work effectively with Medicare Administrative Contractors. However, success in this market requires much more than simply having good technology or understanding Medicare regulations. It requires deep appreciation for the complex operational, political, and financial environment in which MACs operate, sustained investment in relationship building and market development, and commitment to providing the high levels of support and partnership that MACs require.

The companies that will dominate this market are those that recognize MACs not as obstacles to navigate around, but as essential partners whose success directly determines their own. They invest heavily in understanding MAC operations, building relationships with key personnel, and developing solutions that address the unique requirements of the Medicare environment. They approach the market with long-term perspectives and are prepared to make the sustained investments required for success.

For companies considering entry into this market, the key is to start with deep research and relationship building rather than aggressive sales efforts. Understand the specific MACs that represent the best opportunities for your capabilities and approach them as potential partners rather than customers. Invest in understanding their operational challenges, regulatory requirements, and strategic objectives. Build relationships with key personnel across multiple organizational levels and functional areas. Develop solutions that address their specific needs while supporting their broader objectives.

Most importantly, recognize that success in the MAC market requires patience, persistence, and sustained commitment. The opportunities are significant, but they will only be captured by companies that understand and respect the complexities of Medicare administration and are willing to make the investments necessary to become trusted partners within this unique and challenging environment. The prior authorization revolution within Medicare is just beginning, and the companies that

position themselves effectively within the MAC ecosystem will be the ones that benefit most from this historic transformation.



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