



## **Do companies commonly face reimbursement or payment delays when Medicare delegates pricing decisions to regional contractors (MACs) instead of setting national rates?**

Yes, companies—especially healthcare providers—do commonly face reimbursement or payment delays when Medicare delegates pricing decisions to regional contractors (Medicare Administrative Contractors, or MACs) instead of setting national rates, particularly during periods of legislative uncertainty or policy changes.<sup>[1] [2] [3] [4]</sup>

### **How Regional Pricing and MACs Affect Payment Timelines**

- Medicare Administrative Contractors (MACs) are responsible for processing and paying claims in their regions, and they may implement temporary holds on claims when national payment provisions expire or when Congress fails to pass funding legislation.<sup>[3] [4] [1]</sup>
- These holds can result in payment delays for providers, especially in regions where local cost indices (such as the Geographic Practice Cost Index, or GPCI) change or fall below national floors.<sup>[4]</sup>
- For example, in October 2025, CMS instructed MACs to temporarily hold claims for services impacted by expired payment provisions, affecting providers in states like Arkansas and Kansas where the GPCI dropped below 1.0.<sup>[4]</sup>
- While statutory requirements mandate a minimum 14-day payment floor for electronic claims, temporary holds can still disrupt cash flow, particularly for small practices and rural providers who rely on timely Medicare reimbursements.<sup>[2] [5] [6]</sup>

### **Impact on Providers**

- Payment delays are most pronounced during government shutdowns or when Congress fails to renew key Medicare payment provisions.<sup>[1] [4]</sup>
- Providers in regions with lower GPCI values may see both payment delays and reduced reimbursement rates, which can impact operational planning and financial stability.<sup>[4]</sup>
- MACs may reprocess claims after policy changes, but this can take up to 30 business days, and providers are advised to monitor claims closely and adjust financial forecasts accordingly.<sup>[7] [4]</sup>

## Summary Table: National vs. Regional Pricing Impact

Scenario	National Rate Setting	Regional MAC Pricing
Payment Delay Likelihood	Lower <sup>[1]</sup> <sup>[4]</sup>	Higher during policy changes <sup>[1]</sup> <sup>[4]</sup>
Geographic Variation	Minimal <sup>[8]</sup> <sup>[9]</sup>	More pronounced <sup>[4]</sup> <sup>[9]</sup>
Impact on Small Practices	Lower <sup>[2]</sup> <sup>[4]</sup>	Higher <sup>[2]</sup> <sup>[4]</sup>
Typical Delay Duration	14-day statutory floor <sup>[5]</sup> <sup>[6]</sup>	Up to 30 days during holds <sup>[7]</sup> <sup>[4]</sup>

In summary, delegating pricing decisions to regional MACs can lead to more frequent and variable payment delays, especially during legislative transitions or funding gaps, compared to a uniform national rate system. <sup>[6]</sup> <sup>[1]</sup> <sup>[4]</sup>

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## Is it a temporary hiccup or a major problem?

It is generally a temporary hiccup rather than a major, long-term problem. The payment delays caused when Medicare delegates pricing and payment decisions to regional MACs typically arise from temporary claims holds tied to legislative or funding uncertainties.

Key points:

- MACs often implement a temporary claims hold of around 10 business days when certain Medicare payment provisions expire or when Congress has not yet renewed funding. This is a routine safeguard to prevent reprocessing claims later if legislative changes occur. <sup>[21]</sup> <sup>[22]</sup> <sup>[23]</sup>
- Medicare already has a statutory minimum payment floor of 14 days for electronic claims, so some level of delay is normal even in stable times. The recent holds typically align with or slightly extend this period. <sup>[24]</sup> <sup>[25]</sup> <sup>[26]</sup>
- CMS has moved to limit these holds to only those claims directly impacted by expired provisions or policies, thus reducing broad payment delays. <sup>[27]</sup>
- If the legislative or government situation resolves quickly, payment processing resumes normally with minimal backlog or disruption for providers. <sup>[28]</sup> <sup>[29]</sup>
- However, a prolonged government shutdown or extended legislative delay could cause more significant disruptions, backlog processing delays (up to 30 days or more), and cash flow challenges, especially for smaller providers dependent on timely Medicare payments. <sup>[30]</sup> <sup>[22]</sup> <sup>[31]</sup>

In summary, the payment delays related to MACs delegating pricing are mostly temporary and manageable, designed to protect against improper payments during policy uncertainty. But during extended legislative or funding delays, the impact could become a major operational challenge for providers. <sup>[22]</sup> <sup>[27]</sup> <sup>[28]</sup> <sup>[21]</sup>

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# AVITA Medical is also facing a similar problem. Can you tell whether this is a temporary issue or something more serious?

AVITA Medical's current reimbursement issues related to Medicare appear to be primarily a temporary problem linked to a transition in Medicare Administrative Contractors (MACs) pricing for their flagship RECELL product.

Key points:

- In early 2025, CMS introduced new CPT codes for RECELL but delegated pricing responsibility to regional MACs instead of setting national rates. This caused delays and a backlog of unpaid or underpaid claims for several months, negatively impacting demand and revenue.<sup>[41]</sup> <sup>[42]</sup>
- The reimbursement uncertainty led to about a 20% drop in RECELL utilization and an estimated \$10 million revenue decline in the first half of 2025.<sup>[42]</sup> <sup>[41]</sup>
- As of the Q3 2025 report (September 30), the MACs have finalized pricing and published payment rates, largely restoring reimbursement clarity and removing a key barrier for clinician adoption.<sup>[43]</sup> <sup>[44]</sup>
- AVITA Medical's management and recent earnings commentary indicate the reimbursement issue is resolving, with demand expected to recover in the second half of 2025, though revenue guidance was lowered to \$70-74 million for 2025 from prior \$76-81 million estimates due to this delay.<sup>[45]</sup> <sup>[46]</sup> <sup>[43]</sup>
- The current financials show continued losses and revenue pressure but also operational cost reductions and cash management improvements, signaling ongoing recovery efforts.<sup>[47]</sup> <sup>[45]</sup>

In summary, AVITA Medical's Medicare reimbursement challenge rooted in regional MAC pricing and claim payment delays is largely a temporary issue currently being resolved. However, the impact on financial performance has been material in 2025, with recovery underway but not yet fully realized. This aligns with typical Medicare MAC payment delays causing temporary disruption rather than a permanent payment failure.<sup>[46]</sup> <sup>[41]</sup> <sup>[43]</sup>

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