

**MEDICARE DRUG & HEALTH PLAN CONTRACT ADMINISTRATION GROUP**

---

**DATE:** December 9, 2024

**TO:** Medicare Advantage Organizations, Network-based Private Fee-For Service Plans, Section 1876 Cost Plans, Initial and Service Area Expansion Applicants

**FROM:** Kathryn A. Coleman, Director

**SUBJECT:** Contract Year 2026 Medicare Advantage Network Adequacy Updates

CMS releases updated Medicare Advantage (MA) network adequacy guidance for Contract Year (CY) 2026 applications.

**Regulatory Updates**

The CY 2025 MA and Part D Final Rule ([CMS-4205-F](#)) (final rule) added network adequacy requirements at 42 CFR § 422.116(b)(2)(xiv) for one new facility specialty type, Outpatient Behavioral Health.

MA organizations will be required to include this new facility specialty type in their network submissions for formal network adequacy reviews beginning in calendar year 2025 (including application reviews and triennial reviews). This specialty type is also eligible for the 10-percentage point credit towards time and distance standards when the plan provides additional telehealth benefits for the applicable specialty types (§422.116(d)(5)). If indicated, the telehealth credit will be automatically applied in the Health Plan Management System (HPMS).

In addition, the final rule added a new exception request rationale available for facility-based Institutional-Special Needs Plans (I-SNPs) at § 422.116(f)(1)(ii) when facility-based I-SNP applicants are unable to contract with certain specialty types required under § 422.116(b).

Beginning with CY 2026 applications, facility-based I-SNPs may submit exception requests that meet the criteria under § 422.116(f)(2)(iv). Applicants must agree, when submitting their Notice(s) of Intent to Apply, that they will only offer a facility-based I-SNP(s) under any contract that receives facility-based I-SNP exception(s) per § 422.116(f)(3).

**Operational Updates to use of Letters of Intent at the time of Application**

Under § 422.116(d)(7), applicants are allowed to use Letters of Intent (LOI) in order to successfully meet network adequacy standards. All LOIs must be signed by the applicant and the provider or facility with which the applicant has started or intends to negotiate a

contract, in lieu of a signed contract, at the time of application and for the duration of the application review.

All applicants are required to submit their provider networks in the Network Management Module in Health Plan Management System (HPMS) as part of the CY 2026 application process. CMS encourages applicants to prepare and submit Health Service Delivery (HSD) tables in advance of the application deadline. This advance preparation assists applicants in determining whether they have upload-related errors in need of correction prior to hitting “final submit” on their application(s) and whether the applicant needs to prepare Exception Requests (ERs) in response to any known network deficiencies.

### **Initial Submission (UPDATED)**

When first submitting their application, applicants may include providers and facilities for whom they have secured valid LOIs. Applicants must notify CMS that they are using LOIs as follows:

- Applicants must mark “Y” in the indicated column on the HSD table to denote LOI use.
- Applicants are not required to upload the actual LOI PDFs during application submission. However, CMS reserves the right to request LOIs at any time during or after the application review process to ensure all applicants and eventual contracts comply with regulatory requirements under § 422.116(d)(7).

### **Response to Deficiency Notice and Notice of Intent to Deny**

When responding to CMS issued Deficiency Notices and Notices of Intent to Deny, applicants must resubmit their complete HSD tables. Applicants may include new, additional providers, including providers and facilities with whom the applicant has secured valid LOIs. Applicants must notify CMS about their use of an LOI(s), each time the applicant responds to any noted deficiency that they are seeking to address with an LOI(s).

- If an applicant needs to exclude a provider or facility for whom they no longer have a valid LOI, they must resubmit the HSD tables without that provider or facility.
- If the applicant has successfully secured a contract with the provider or facility, the applicant must remove the “Y” indicator from the LOI column.
- When responding to network adequacy deficiencies, an applicant must submit new or revised HSD tables in HPMS.

All applicants must follow the process outlined above regarding the submission of LOIs. If an applicant submits an Exception Request indicating that the applicant is in the process of contracting with a provider, the Exception Request will not be approved.

LOIs may only be used during the application review process. Once an applicant’s MA application is approved by CMS, the MA contract for CY 2026 must be in full compliance with network standards as January 1, 2026. If an applicant used LOI(s) to successfully meet network standards and secure an MA contract, that contract will be required to participate in CMS’s triennial network adequacy review during the first contract year the MA contract is operational.

### **Guidance and Training Updates**

The updated Medicare Advantage and Section 1876 Cost Plan Network Adequacy Guidance and 2025 Reference Files are now available under the “Downloads” tab, located at:

<https://www.cms.gov/medicare/health-drug-plans/medicare-advantage-application>.

Questions regarding these updates or content related to network adequacy may be submitted to the [Medicare Advantage Operations Mailbox](#). Select “Network Adequacy” from the category drop-down menu on the question submission page.

CMS is conducting training for applicants on the CY 2026 Medicare Advantage Plan (including Employer/Union Only Group Waiver and Special Needs Plans) application process, including network adequacy requirements during the Part C & D User Group Call scheduled for **January 8, 2025, at 3:30 PM EST**. Individuals must register in advance to attend the call at the following link: <https://www.msccinc.com/cmsspartcd>.

For technical questions, please contact the HPMS Help Desk at either [hpms@cms.hhs.gov](mailto:hpms@cms.hhs.gov) or 1-800-220-2028.