Communication to Issuers on Network Adequacy data issues discovered in 2026

This communication explains a geocoding issue affecting Network Adequacy reviews under both CCIIO standards and PBM requirements, the corrective actions taken, and the resulting changes to the reports and justification sheets the Department will provide.

Geocoding quality issues identified

The Department identified imprecise geographic coordinates, or geocodes, for a significant number of Arkansas provider addresses. In September 2026, an issuer provided a detailed analysis that helped establish the extent of the problem. Examples included essentially identical addresses assigned to different geographic locations and different addresses assigned to the same location.

These inaccuracies affected the driving-distance calculations used to assess Network Adequacy under both CCIIO standards and PBM requirements.

Root cause and corrective action

The Department traced the issue to an update to one of the geocoding services it uses to convert provider addresses into geographic coordinates. Although the service introduced more precise geocoding capabilities, it also changed its communication protocols. AID's processing scripts were not updated to accommodate those changes, resulting in approximate municipal locations being accepted in certain cases.

The Department has since corrected the affected scripts and erroneous geocoding records in its databases. Additional validation rules have also been implemented to reduce the risk of recurrence.

The actions being taken for CCIIO and PBM reviews differ, as explained below.

A) Networks Reviewed under CCIIO Standards: New Reports Postponed to PY2028

During the AID–Issuer meeting on Network Adequacy on June 25, 2026, the Department announced plans to provide two new reports at the conclusion of the PY2027 network reviews:

1. Network Adequacy Determination Report
2. Contested Locations Report

The Department will defer both reports until PY2028.

In the PY2027 reviews, the Department determined that some *Objections* were issued where they were not warranted, while some deficiencies that should have resulted in *Objections* were not identified. The effect varied by issuer. After incorporating the corrected

geocoding, the largest estimated change in an individual issuer's total number of *Objections* was approximately 14%.

Correcting the geocoding records does not, by itself, correct the *Objections* and issuer responses already generated during the PY2027 review cycle. After considering the substantial recalculation, review, and potential revisions to issuer responses that would be required, the Department decided not to reopen the PY2027 review cycle for these reports. Instead, it will introduce the Network Adequacy Determination Report and the Contested Locations Report beginning with PY2028.

B) Networks Reviewed under PBM Requirements: Revised Justification Sheets for Information Only

PBM Network Adequacy reviews are governed by separate requirements and follow a different submission schedule from networks evaluated under CCIIO standards. PBM pharmacy-network data is retrospective, describing network operations during the preceding year, while CCIIO submissions are not retrospective.

The Department will regenerate the PBM Network Adequacy justification sheets using corrected geocoding and provide them to issuers in 2026 **for information only. No response to these justification sheets is required in 2026.**

These sheets will identify geographic areas and Network Adequacy criteria where pharmacy networks showed deficiencies based on their 2025 operations. Issuers may use this information to assess those weaknesses as they prepare to submit their 2026 pharmacy-network data.

Beginning in 2027, the Department will endeavor to provide PBM justification sheets earlier in the annual review cycle, allowing issuers more time to research and prepare their justifications before the next annual data submission.