



**TESTIMONY OF
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BRISTOL HOSPITAL
BEFORE THE
PUBLIC HEALTH COMMITTEE
Friday, March 12, 2010**

S.B. No. 429, An Act Concerning Most-Favored-Nation Clauses In Health Care Contracts

My name is Kurt Barwis and I am the President and Chief Executive Officer for Bristol Hospital. On behalf of Bristol Hospital I appreciate the opportunity to testify in support of S.B. No. 429, *An Act Concerning Most-Favored-Nation Clauses In Health Care Contracts*.

A Most Favored Nation (MFN) clause forces a medical provider to give a health insurance company the lowest rate that the provider offers to any other insurance payer. Proponents of MFN clauses typically argue that this provision ensures that providers are giving health insurance companies the lowest rate. However, the cost of this contracting practice to medical providers, patients, and rival insurance companies far outweighs the savings to the entity imposing the MFN. MFN clauses are anticompetitive and will result in artificially high healthcare costs and constrain competition.

All one needs to do is pick up the newspaper to understand MFN's negative impact on the Charter Oak Health Plan, or read our State Attorney General's recent press release to recognize MFN's unfavorable effects and that these clauses only serve to increase healthcare costs and limit competition. It is clear why commercial insurance companies use these clauses. Unfortunately, the Medicare, Medicaid and uncompensated care cost shift that these commercial insurance companies bear are ultimately borne by our state's businesses, and this is truly not fair. We are not here to discredit or in any way attack commercial insurance companies in this state. We recognize and appreciate their value and business. This matter is complicated by many issues, including the current budget crisis, healthcare reform initiatives, and by the state of uncertainty around all of these matters. However, this is clearly an important issue for Connecticut, one, that if studied and addressed properly, could serve to encourage more entrants into the state's commercial health insurance market, improve quality, and have a positive impact on the rate of healthcare cost increases for businesses and residents.

We can appreciate that an issue like this is difficult and complex, especially when considered in such a short legislative session. It is truly a subject that requires careful study and evaluation. What we are requesting is that this Committee, the Insurance and Real Estate Committee, and any other committee that is appropriate, recognize the importance of this matter and consider this bill. In addition, we urge the committees involved to support a recommendation that the Program Review and Investigations



Committee study the consequences of taking the actions outlined in this draft bill and be tasked to make a final recommendation to the General Assembly.

Lastly, we kindly ask that you review the brief study (included with this testimony) conducted by the Attorney General of Massachusetts entitled *Investigation of Health Care Cost Trends and Cost Drivers*, dated January 29, 2010. In addition to identifying factors that drive health care costs, this report, using objective and reliable data sources, establishes the negative consequences of MFN clauses and recommends that legislative action be taken to outlaw MFN provisions, just as twelve other states have already done.

Bristol Hospital requests that this bill be referred to the Program Review and Investigations Committee for consideration.

Again, thank you.