

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 11-132**—sHB 6471

*Insurance and Real Estate Committee*  
*Appropriations Committee*

**AN ACT CONCERNING MOST FAVORED NATION CLAUSES IN  
HEALTH CARE PROVIDER CONTRACTS**

**SUMMARY:** This act prohibits a contracting health organization (i.e., managed care organization (MCO) or preferred provider network (PPN)) from including a “most favored nation” (MFN) clause in a contract with a health care provider, dentist, or hospital.

Specifically, it prohibits these contracts from including any provision that prohibits a provider, dentist, or hospital from contracting with another MCO or PPN at a lower payment or reimbursement rate. It also prohibits these contracts from (1) containing provisions requiring a provider, dentist, or hospital to disclose the payment or reimbursement rates of another MCO or PPN with which it contracts or (2) being renegotiated before renewal if a lower payment or reimbursement rate is agreed to between the provider, dentist, or hospital and another MCO or PPN.

The act applies to contracts entered into, renewed, amended, or offered on or after October 1, 2011. Contracts in effect prior to this date that include an MFN clause are void and unenforceable on the contract renewal date or January 1, 2014, whichever is earlier. The act specifies that its provisions do not affect the contracting health organization’s rights to enforce the MFN clause before its invalidation.

By law, “providers” include Connecticut-licensed physicians, surgeons, chiropractors, podiatrists, psychologists, optometrists, naturopaths, and advanced practice registered nurses.

EFFECTIVE DATE: October 1, 2011

**CONTRACT PROVISIONS**

The act prohibits a contracting health organization from including in any contract with a provider, dentist, or hospital, any clause, covenant, or agreement that:

1. requires the hospital, dentist, or provider to (a) disclose to the organization its payment or reimbursement rates from any other organization it contracts or may contract with; (b) provide services or procedures to the organization at a payment or reimbursement rate equal to or lower than the lowest rate at which the provider, dentist, or hospital contracts or may contract with another organization; or (c) certify to the organization that the provider, dentist, or hospital has not contracted with any other organization to provide services or procedures at a lower payment or

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- reimbursement rate;
2. prohibits or limits the provider, dentist, or hospital from contracting with any other organization to provide services or procedures at a lower payment or reimbursement rate; or
  3. allows the organization to terminate or renegotiate a contract with a provider, dentist, or hospital prior to renewal if the provider, dentist, or hospital contracts with another organization to provide services or procedures at a lower payment or reimbursement rate.

### BACKGROUND

#### *Most Favored Nation Clauses*

A “most favored nation clause” is a provision in a contract between a health care provider and an insurer that prohibits the provider from charging the insurer a rate that is higher than the lowest reimbursement rate the provider accepts from any other insurer.

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