

Acton Health Insurance Trust
Acton, MA 01720

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September 2, 2003

Walter Foster, Chair
Acton Board of Selectmen

Jo-Ann Berry, Chair
Acton-Boxborough Regional School Committee

Terry Lindgren, Chair
Acton Public School Committee

Dear Chairs:

At our meeting on August 27, 2003, the Board of Trustees of the Acton Health Insurance Trust voted unanimously, that we write this letter to update you regarding the status of the Trust, as well as seeking clarification and input regarding actions that might be taken to ensure the financial stability of the Trust. We believe you and your Board members should be aware of these issues as they were discussed on several occasions last year, but we believe that since action must be taken soon, it is worth reiterating these points.

First, it is the opinion of the Trustees that the "*status quo*" in terms of rates and/or plans cannot be maintained if the Trust is to remain financially solvent. Once the audit of the Trust for FY03 is completed (likely by early October), we will have a better picture of the financial condition of the Trust. However, our consultant currently projects that the Trust will run a deficit of over \$2 million for FY04, which was anticipated in the long range financial plan published last year by the preceding Board of Trustees.

That will leave us with a dwindling fund balance which could fall below \$1 million depending on the results of the FY03 audit as well as trends in claims costs for the current year. However, given the increasing claims cost, there is likely to be a need for an overall price increase for FY05 of at least 50%, and serves as the basis for our opinion that changes should and must be made to help manage dramatically increasing claims costs.

Second, the Trustees are willing to explore possible areas where changes could be made and what the likely impact on the Trust's costs would be. This could include changes in plan coverage, the addition of new plans, consolidation of all plans under a single administrator, and possibly many others. The Trustees, however, require guidance in this area because a number of these issues have implications regarding collective bargaining which is clearly outside the authority of the Trustees. If these are not areas in

which the respective Boards wish us to develop data, then we urge the Boards to undertake these efforts. We, of course, would not expect to implement any changes that have bargaining implications unless and until directed to by the governmental entities, but we are willing to help in any way those entities would like us, especially in terms of considering possible changes and bringing that information back to the governmental entities.

Third, the Trustees expressed the view that, given the planned significant rate increases for FY05, the employees should be reminded whenever possible of the magnitude of the coming increase. As you recall, the increase forecast for FY05 is on the order of 50 percent (higher for Blue Cross, lower for Harvard) to bring rates and costs into line. Nothing has changed to date to alter this expected rate increase, and we believe that this fact should be reinforced to all who have to contribute to the Trust. To that end, we are also requesting your approval to include the various union heads on the distribution list of our agenda so they are aware of our meeting times and dates, and are free to attend to learn more about the status of the Trust.

The Trustees are available to answer any questions you may have and we can certainly brief each the Boards at their next scheduled meeting. As you are also aware, the ALG has added the status of the Health Insurance Trust as an ongoing agenda item as yet another way to keep the participating governmental units aware of the financial condition of the Trust.

Very truly yours,

Peter K. Ashton
Chair, Acton Health Insurance Trust

cc: Gim Hom, Chair, Acton Finance Committee