

# TOWN OF NORTH ATTLEBOROUGH

## HEALTH CARE COST ANALYSIS & FY27 RISK UPDATE

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### INFORMATION PAPER

**Prepared for:**

**North Attleborough Town Council  
North Attleborough Finance Committee**

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### **Subject:**

**Current Health Care Claims Performance, Cost Drivers, and FY27 Financial Exposure**

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### **Purpose:**

To provide Town officials and budget oversight committees with an accurate and concise summary of the Town's health insurance cost trends, including claims performance, GLP-1 drug utilization, high-cost claimants, and projected FY27 premium risks. This document explains the financial pressures affecting the Town's health plan and the rationale for establishing a reserve to safeguard the operating budget.

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## 1. Background

North Attleborough participates in the North Attleborough–Plainville Health Group (NAPHG) for municipal employee health insurance. As of October 2025, year-to-date claims experience shows that health care costs are running above projected levels and are outpacing premium revenue. Several structural cost drivers—including pharmaceutical utilization, high-cost claimants, and national medical inflation—are producing unanticipated pressure on the health plan.

This information paper summarizes key data points from NAPHG’s latest financial reporting and explains why the Town may require a healthcare reserve to manage expected volatility heading into FY27.

## 2. Current Financial Position

### a. Claims are exceeding premiums.

Through October 2025, NAPHG reports an operating deficit of  $-\$154,992.70$ . Several individual months exceeded 100% of collected premium revenue:

- i. August: 109.9% of premium
- ii. September: 102.7%
- iii. October: 139.8%

The year-to-date average is 109.8%, meaning the plan is paying more in claims than it receives in premium.

### b. October was a severe outlier month:

- i. Medical claims: \$1.64 million
- ii. Pharmacy claims: \$548,695
- iii. Total claims: \$2.42 million
- iv. Monthly premium income: \$1.73 million
- v. Monthly deficit:  $\approx \$690,000$

This level of volatility presents material midyear financial risk.

## 3. Key Cost Drivers

### a. GLP-1 Drug Utilization (diabetes and weight-loss medications)

GLP-1 medications remain one of the most significant cost drivers in the health insurance market. NAPHG’s latest report shows:

- i. 5 new claimants in one month
- ii. 100 new prescriptions
- iii. \$110,000 in additional cost in a single month

- iv. The sharp, rapid increase in GLP-1 use is creating substantial upward pressure on pharmacy spending.

**b. High-Cost Claimants**

High-cost claimants (>\$50,000) have increased both in number and total expense:

- i. 15 high-cost claimants through October
- ii. Total cost: \$1.38 million
- iii. Conditions include cancers, neonatal events, cardiac complications, neurological disorders, and autoimmune diseases.
- iv. These individuals typically incur ongoing or recurring costs, contributing to long-term plan exposure.

**4. FY27 Trend Forecast**

- a. Even with modifications such as excluding GLP-1 drugs for weight loss, the baseline cost trend remains significantly above expected municipal revenue growth. NAPHG's projected trend factors for FY27 reflect continued inflationary pressure:

- i. Medical trend: 9.5%
- ii. Pharmacy trend: 16%
- iii. Blended trend: 11.19%

- b. Fiscal Impact for North Attleborough:

- i. Estimated FY27 monthly premium equivalent:  $\approx$  \$1.77 million
- ii. Each 1% premium increase = \$212,824 annually
- iii. A 5–10% variance (consistent with historical volatility) equals \$1.06M–\$2.12M in exposure.

This directly aligns with the proposed allocation of a reserve to absorb potential deficits.

**5. Budget Implications**

The following factors indicate that a reserve is prudent for FY27:

- a. Sustained claims volatility exceeding premium.
- b. Sharp increases in pharmaceutical costs, particularly GLP-1s.
- c. High-cost claimants creating multi-year financial risk.
- d. October 2025 spike demonstrating single-month deficit potential of \$500k–\$700k.
- e. 11% projected trend growth, substantially higher than typical municipal revenue increases.
- f. Inadequate fund balance within NAPHG to absorb another high-variance year without municipal support.

## 6. Conclusion

- a. North Attleborough is experiencing the same health care cost pressures affecting municipal plans statewide: rising utilization, high-cost medications, significant catastrophic claims, and overall inflation in the medical sector. These factors collectively pose a material financial risk for FY27.

Establishing a reserve—potentially through Free Cash—would allow the Town to:

- i. Absorb midyear health care deficits without service disruption
  - ii. Avoid emergency appropriations
  - iii. Provide stability for employees and financial predictability for departments
  - iv. Protect the operating budget from unexpected swings in claims
  - v. Maintain the Town's strong fiscal footing as it enters the FY27 budget cycle
- b. A healthcare reserve is a conservative, responsible, and data-supported risk management measure.