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Small businesses are ready for better health insurance options, tools



JPMorganChase

New Morgan Health survey reinforces need for greater affordability, simplicity and transparency.

Small- to mid-sized businesses (SMBs) employ approximately half the U.S. workforce. While SMBs contribute significantly to job creation and economic development, a broad majority of business leaders cannot sustainably offer health benefits. Morgan Health has been closely analyzing this gap, and its impact on labor mobility, business growth and employee well-being.

Our latest research explores how SMBs are making benefits decisions against the backdrop of rising health insurance costs. **For SMBs surveyed, the median reported premium increase was 18%.**

Cost remains the primary barrier when it comes to SMB leaders' ability to offer health benefits. Many also struggle with a complex, fragmented system. Our key findings are outlined below.

A survey of 1,023 U.S. SMB health benefits decision makers. This sample is evenly split between employers with 1–49 employees and those with 50–499 employees. Respondents held leadership, HR, finance or operations roles.

Finding 1: Smaller businesses are disproportionately affected by health care costs.

Nearly one-third (30%) of SMBs with fewer than 50 employees reported that health insurance costs are worsening their overall business situation—compared to 22% of SMBs with 50-499 employees.

Notably, those with fewer than 50 employees also reported few actions to offset rising costs. This can be attributed to two possible factors. First, businesses with fewer than 50 full-time-equivalent employees are not required to offer health insurance and may have chosen to drop coverage altogether.¹ Second, their larger counterparts are required to provide health insurance and therefore must adapt to keep coverage intact. Specifically, these businesses (50-499 employees) were significantly more likely than small businesses to report they delayed growth, sought additional financing, and reduced benefits or coverage options.

1. Not captured in this survey; respondents consisted of businesses currently offering health care coverage

Finding 2: Most SMBs prioritize preserving benefits, even at the expense of their business.

Seventy-one percent of SMBs report taking at least one step in the past three years to respond to rising health insurance costs. The most common changes include implementing wellness or cost saving programs (29%), reducing spending elsewhere in the business (20%), slowing hiring or reducing headcount (19%), shifting costs to employees (17%) or reducing benefits or coverage options (16%).

SMBs prioritize employee affordability when selecting a health plan. Forty-seven percent cited “affordability to employees” as their top challenge when searching for health plans. This pattern is consistent with previous Morgan Health research that shows SMBs consider health coverage as core to their company culture and consider cutting benefits as an absolute last resort. This trend is not sustainable. SMBs can’t prioritize health care over profitability forever.

Finding 3: A wide majority of SMBs are interested in new or alternative coverage options, but need clearer options and more support in selecting alternative coverage.

Sixty-eight percent of SMBs responded that they are reconsidering the traditional fully insured model as a way to manage rising premium costs. Of note, 13% of SMBs with <50 employees and 19% of SMBs with 50+ employees reported they made a change to their funding model within the past year.

However, most SMBs report that to switch funding models they need more information and decision-making support. SMBs believe there may be valuable options they have not yet explored (85%), and a similar proportion say additional information could change what they choose (78%).

Greater insight into total cost of plans is also a key factor. Nearly half of SMBs (47%) ranked transparency of their overall plan costs as a top challenge when searching for health plans. At the same time, only 25% of SMBs use claims data, which provide timely information on plan performance and care engagement, reinforcing the likelihood that SMBs make these decisions

47%

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without a full understanding of what they are paying for. Among the alternative coverage options available, awareness varies with SMBs being more familiar with traditional models like self-funding vs newer options like level or captives:

- 40% were unaware of captive models, in which employers group together to pool risk instead of paying fully insured premiums.
- 29% were unaware of level-funding, in which employers assume the financial risk of paying medical claims with safeguards in place (for more financial predictability).
- 85% were familiar with self-funding, where employers fund and play claims directly, allowing more customization and potential savings vs. fully insured.

Notably, more than three-quarters (77%) of SMBs surveyed said the disruption and/or uncertainty of alternative coverage options outweighs potential cost savings. Before adopting an alternative coverage option, SMBs cited concerns about employee impact. For example, 42% ranked higher employee costs as a barrier, while 40% cited level of coverage available as a concern. Additionally, 29% reported administrative complexity as a potential barrier to adoption.

Finding 4: Many SMBs struggle with unclear health insurance information, driving interest in digital and AI tools.

SMB leaders show strong interest in tools that could make health insurance decisions less risky and more transparent. Nearly nine in 10 say they would invest the time to learn new tools if those tools made plan selection easier (89%), and three-quarters believe AI-enabled tools could reduce their reliance on outside experts (75%).

This interest translates into willingness to pay for solutions. Nearly two-thirds of SMBs say they would pay for a plan comparison tool (62%), and nearly half for benefits calculators (46%).

Many SMBs reported using AI tools to reduce their reliance on brokers for upfront benefits information but not to drive final benefits decisions: only 12% of SMBs ranked AI or chat tools among their top three decision resources, compared with their use of employee feedback (45%), insurer proposals (42%) and outside experts like brokers or a professional employer organization (27%).

62%

of SMBs said they would pay for a plan comparison tool.

Finding 5: SMBs still rely heavily on brokers, but pricing and financial incentives complicate decisions.

Over half of SMBs are currently or are considering working with brokers (56%) to find insurance coverage. Notably, broker relationships remain fluid. Among SMBs that work with brokers, one in five report having already switched brokers (20%), and more than half say they have considered switching but did not follow through (53%).

SMBs want more information and transparency about brokers. One-third of SMBs (34%) reported they would change brokers based on better pricing on broker fees (34%). Moreover, half of SMBs say that a lack of understanding about how brokers are compensated makes them less confident in their decisions (51%)—underscoring sensitivity to alignment and incentives.

Larger SMBs are more likely to rely on outside experts, but also more likely to scrutinize value suggesting that trust depends on clarity and demonstrated benefit.



Key Takeaways

Across the U.S., rising health care costs force SMBs to make difficult tradeoffs. With limited resources and constrained budgets, many of them are doing all they can to avoid cutting benefits or shifting higher costs to employees.

The organizations that will shape the next phase of SMB health insurance are those that will make health benefits more affordable, predictable and easier to navigate—especially for smaller businesses with less margin for error.

Stakeholders should focus on the following themes to break through the status quo:

- Adoption of alternative coverage options must be driven by awareness, decision-support, and clearer cost and coverage expectations—reducing perceived risk and uncertainty of employee impact.
- AI and digitally-enabled tools should be developed to help SMBs make health care decisions with greater confidence—backed by trusted data and unbiased input.
- Next-generation broker relationships must be built on trust and aligned incentives structures that reward long-term client outcomes over short-term fees.

For Morgan Health, this research reinforces why we are committed to this market. Small businesses owners face health benefit pressures with fewer choices, less negotiating power and less time. We're partnering with Chase for Business, which serves over 7 million small businesses, to make navigating health care simpler. [Learn more at the Health Care Hub.](#)