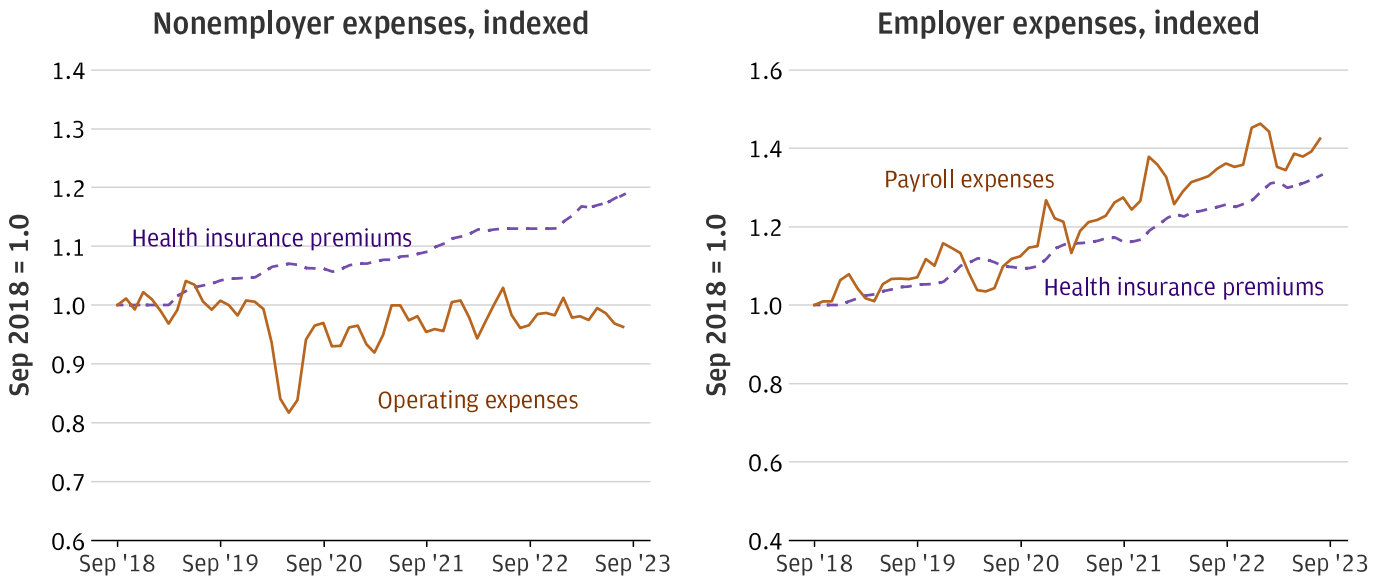


The Burden of Health Insurance Premiums on Small Businesses

Over the last five years, health insurance premium payments increased by 19 percent for nonemployers (who pay premiums for themselves and their families) and 33 percent for small employers.



Source: JPMorgan Chase Institute

Rising health insurance costs could limit the contributions of the small business sector to the U.S. economy.

The small business sector is a significant component of the US economy, and rising health insurance costs could put the sector's contributions at risk. Millions of Americans either own a small business or work at one: over 9 million people are self-employed¹ and nearly 35 million—27 percent of private sector employees—work in firms with less than 50 employees.² Small and large employers alike use health insurance benefits as a key tool to recruit and retain talent. Rising health insurance costs could discourage entrepreneurs from starting businesses or existing businesses from hiring additional employees—potentially slowing growth in the sector and diminishing its contributions to innovation and economic growth.

Findings:

1. Health insurance premiums are an increasing share of operating expenses for nonemployer businesses, but tax credits could be moderating premium growth for some.
2. Health insurance premiums comprise a larger share of compensation costs for employer businesses with lower revenues.

Policies and products could help small business owners and employees better navigate the complexity of the U.S. health care system.

The U.S. health care system is complicated. Small businesses must navigate a complex health insurance market to find suitable health plans as well as a complex tax system of tax credits and potential penalties. Navigating this complexity could be important to managing the increasing costs we observe--some business owners may be using tax credits to reduce their premiums. Policymakers and decision makers could help small businesses make more informed decisions about health care by synthesizing existing research and additional data into clear policies and products. For example, [Morgan Health's resources](#) for small businesses provide tools to navigate this landscape with special attention to the challenges that small businesses face.

Future research could help decision makers better understand the broader scope of changes in overall healthcare costs and quality.

Health insurance premiums are just one part of the total cost of health care. Plan deductibles, employee contributions, and other out-of-pocket costs are also part of the total health care costs that small businesses and their employees face, especially if some businesses manage their premium payments by shifting costs to their employees. Moreover, the quality of care received may be opaque. While we offer insights on the health insurance premiums that small businesses face, future research could provide additional data on not only the total cost of health care to small businesses and their employees but also the value received.

[Read the Full Report](#)

Data Explanation

Two line charts; where the left chart shows median health insurance premiums and operating expenses indexed to their value at the start of the period for nonemployer firms. In the left chart, nonemployers' median indexed health insurance premiums increased from 1 in September 2018 to 1.19 in August 2023. Median indexed operating expenses decreased slightly from 1 in September 2018 to 0.96 in August 2023. Median indexed operating expenses dropped to their lowest point of 0.82 in May and rebounded to 0.94 in July of 2020. The right chart shows median health insurance premiums and payroll expenses indexed to their values at the start of the period for employer firms. In the right chart, employers' median indexed health insurance premiums increased from 1 in September 2018 to 1.33 in August 2023. Employers' median indexed payroll expenses increased from 1 in September 2018 to 1.42 in August 2023.

Endnotes

- 1 In February 2024, the BLS reported nearly 9.4 million self-employed workers in unincorporated businesses in nonagricultural industries. Self-employed workers in incorporated businesses are included in wage and salary workers.
<https://www.bls.gov/web/empsit/cpseea07.htm>
- 2 In 2023, nearly 35 million, or 27 percent of private sector employment, were employed in firms with 1 to 49 employees.
https://www.bls.gov/web/cewbd/table_f.txt