
Navigating Health Care Five Takeaways for Small and Mid-Sized Businesses





It's been well-reported that small and mid-sized businesses (SMBs) are **disproportionately burdened** by health care – particularly against the backdrop of rising costs and a dynamic labor market. The JPMorganChase Institute and Morgan Health, a JPMorganChase division focused on improving employer-sponsored health care, are further exploring these challenges to offer granularity on how SMBs make decisions about their benefits offerings.

JPMorganChase is a trusted financial advisor to millions of SMBs across the U.S., and our teams are focused on uncovering potential solutions and innovations to help them better navigate health care costs and complexity.

A newly released **Institute study** reveals that every year, one-third of small businesses¹ stopped paying for health insurance – despite their best efforts to maintain coverage. In parallel, Morgan Health commissioned research² to more precisely understand how SMBs make tradeoffs to keep health care coverage in place and areas where they need additional support or innovation.

1. The Institute reviewed data from JPMorganChase small business clients.
2. Public Private Strategies and Hootology interviewed 31 SMBs ranging in size from under 50 full-time employees to 500 full-time employees between November 2024 – January 2025.



Here's what the Morgan Health research shows:

1. Offering health care benefits is considered a fundamental business value for SMBs – and employees expect coverage, regardless of company size.

Health care benefits have become an expectation even of small employers and are essential to attract and retain a skilled workforce. As one business owner put it “[Offering benefits] is like table stakes at this point. It’s a matter of how generous the benefits are in our space.” For mid-sized businesses in particular, offering competitive health benefits can be a differentiator for hiring. Yet, SMBs often struggle to match the extensive offerings, like virtual care and wellness programs, available elsewhere. “We have to compete with much larger companies that have bigger resources, so what can we do about it? Not that much ... It will limit how many people we can hire,” admitted one owner.

SMBs recognize this and prioritize their employees’ well-being as part of their commitment to culture – viewing health benefits as integral to the organization’s core values. This focus directly influences employee satisfaction and business performance, even if that means absorbing other costs to preserve these offerings. One business owner said it best, “[Offering benefits] is in the fabric of our DNA; it’s so important to us to treat people as humans.”

2. Making financial tradeoffs to maintain continuity in health care coverage is commonplace.

As noted, the Institute report found that nearly one third of small businesses discontinued health insurance payments from one year to the next. Morgan Health’s qualitative research analyzed the considerations SMBs make to avoid that tough decision. One business leader of a mid-sized business (101-500 employees) shared, “There would have to be a lot of cuts made in our budget before we would [discontinue benefits] ... I think that would be one of the last things on the chopping block.”

That translates to business tradeoffs, such as limiting hiring or business expansion, to keep health care benefits intact. For example, one business owner mentioned increasing contributions “[because] the contribution rate that we had for the family plans was not competitive. We really tried to absorb as much cost as we could while not completely blowing our budget out of the water.” Another chief operating officer stated, “[Tradeoffs] are the worst because you want to be able to do the right thing [by offering benefits], but you’re also looking at P&L, and saying, ‘How much can I really spend?’”

Our research shows that SMBs consider cutting health care benefits as a last resort, while balancing value, recruitment and profit margins.



3. Relying on outside sources, like brokers, is necessary for SMBs, but they also spend significant time and effort researching and vetting recommendations on their own.

SMBs often lack in-house resources to evaluate insurance options and instead turn to brokers or Professional Employer Organizations (PEO) for recommendations based on the health care and pricing needs of their business, regulatory compliance, and benefit administration. Our research showed that SMB owners want a responsive, knowledgeable broker who understands and caters to their business needs, helps them manage health care costs and serves as a strategic partner rather than a mere intermediary. They seek brokers who “work for you and also have these conversations and are very interested in your particular use case, are able to apply it, and lay it on in plain speak.”

However, complexity and opaqueness in health insurance can leave SMB leaders unsure if the recommendations they receive are the best options available. SMB leaders told us they feel a personal responsibility to offer benefits that meet the diverse needs and desires of their employees. As a result, many business owners still spend time researching and comparing different options, understanding expectations and what is required of them legally – in addition to paying a broker. One business owner said, “We spent about 4 months researching last year and talking to different companies ... and really spent a lot of time talking internally about what [our benefits] would look like.”

4. Implementing new, innovative solutions is deemed a viable option to improve health care offerings, but limited bandwidth and information gaps hinder action.

SMBs are eager to reduce care costs and satisfy employee needs, yet they face knowledge gaps when it comes to innovations designed to lower costs and improve consumer choice. Some are familiar yet skeptical of alternatives to the fully-insured model — citing financial risk, administrative complexity and potential employee confusion. New solutions, like Individual Coverage Health Reimbursement Arrangements (ICHRA)³ are gaining uptake, but were unfamiliar to many business owners in our research. Self-funding is another option but carries financial risk if employees incur unforeseen high costs. As one business owner said, “Self-funding is wonderful until something big happens. And you can’t really anticipate when that’s going to happen. But when it does happen, you’re very much on the hook for it.”

Notably, SMBs have a higher barrier to integrating innovative solutions compared to larger companies, primarily due to the lack of having a dedicated Human Resources team to research the tradeoffs and to understand how these models align with their overall strategy.

3. An Individual Coverage Health Reimbursement Arrangement (ICHRA) is a type of employer-funded health benefit that allows employees to purchase their own health insurance and get reimbursed for the costs.



5. Access to a centralized, unbiased and transparent resource hub is critical to health care decision-making.

SMBs feel frustrated by the fragmented, often complex and opaque nature of existing benefits resources. They fear uncertainty around costs or making a coverage decision that could negatively impact employees. Today, SMBs rely on a mix of information – typically ranging from brokers and experts, professional networks and peers and their own research to inform decision-making.

SMBs seek a resource hub to improve their health benefits knowledge and boost their decision-making confidence. For example, one business owner said, “I love the idea of putting in your information and getting a side-by-side comparison on plans without middlemen pushing us one way or another.” While some business leaders want to become experts and feel empowered to make better decisions, others prefer to understand just enough to feel confident in their choices and know they are meeting regulatory requirements. In these cases, educating SMB brokers and PEOs on alternatives can help expand access to innovative insurance solutions for the SMB sector.



Offering benefits is crucial for SMBs and their ability to grow and thrive. High-quality and robust benefits are a competitive differentiator for hiring and retention. Equally importantly, they support healthy and engaged employees – leading to a more productive workforce. Our findings show that more work needs to be done to support SMBs. Information gaps, rising costs and limited resources place a significant burden on these businesses.

Morgan Health is continuing our analysis of the challenges SMBs face when procuring health insurance for their employees. We'll share deeper insights on these topics in a full research report later this year. In the meantime, we encourage you to read the research study from **the Institute**.