



NEW REPORT: Many Workers in Small Businesses Across U.S. Shoulder Higher Health Insurance Costs While Receiving Less Financial Protection

Employees at Small Firms Face Higher Premium Contributions and Deductibles, with Some Paying Nearly Twice as Much for Family Health Plans

As workers across the country enroll in their 2025 health insurance plans, a new report from the Commonwealth Fund reveals that small-business employees face higher health insurance deductibles and premium costs compared to their counterparts at larger companies. And despite paying more, these workers receive coverage with less financial protection.

The report, *Trends in Employer Health Insurance Costs, 2014–2023: Coverage Is More Expensive for Workers in Small Businesses*, examines national trends and differences in the affordability and quality of employer-sponsored coverage for workers in small and large firms across all 50 states and the District of Columbia.

Small firms are defined as businesses with fewer than 50 employees, while large firms employ 50 or more. Smaller employers often face unique challenges, including higher administrative costs and reduced bargaining power with insurers. They are not required by law to offer health insurance.

Key findings include:

- **Higher premium costs and deductibles:** Small-firm employees pay more for their health plans than their counterparts at larger companies.
 - In 2023, small-business employees paid an average of \$7,529 annually for their share of family premiums — \$733 more than employees at larger firms.
 - In nearly all states, small-firm employees also face higher deductibles. In 2023, the average family plan deductible was \$5,074, more than \$1,500 higher than the \$3,547 average for large-firm employees.
- **State-level differences:** Health insurance costs for workers vary across states by employer size, with family health plan premiums for employees at small firms in some states being nearly double those at large firms.
 - In Massachusetts, small-firm employees paid an average of \$12,604 annually for family premiums in 2023, compared to \$6,933 for workers at larger companies.

EMBARGOED

NOT FOR RELEASE BEFORE

12:01 a.m. E.T.

Tuesday,

December 10, 2024

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The Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high-performance health system.

- In 40 states and the District of Columbia, small-firm employees contributed a larger share of the premium for family coverage than their large-firm counterparts. For example, in Arkansas, small-firm workers contributed about 56 percent of their premiums, compared to around 27 percent for large-firm workers on average.
- **Growing costs with less protection:** Small-firm employees are paying more in up-front premium contributions, yet their plans continue to have high deductibles.
 - Every year since 2017, employees in small companies have spent more for their contributions toward premiums for family coverage than employees in large companies, reflecting growing cost and small firms' need to share more of that cost with their workers.
 - Premium contributions for small-firm workers rose from an average of \$5,413 in 2017 to \$7,529 in 2023, compared to \$5,190 for large-firm workers in 2017 and \$6,796 in 2023.

IMPLICATIONS

The report highlights several options for alleviating the financial burden on small-business employees and ensuring equitable access to health coverage:

- **Expand Medicaid access:** Establish a federal fallback option for Medicaid-eligible workers in the 10 states that have not expanded the program. This would allow lower-income people with unaffordable employer plans to enroll in Medicaid in those states.
- **Allow greater access to marketplace subsidies:** Enable more small-firm employees with unaffordable or inadequate employer-sponsored health plans to qualify for subsidized marketplace coverage.
- **Permanently extend enhanced marketplace premium tax credits:** Make the enhanced subsidies introduced during the COVID pandemic permanent. These credits, which significantly reduce consumers' premium costs for marketplace plans, are set to expire at the end of 2025.
- **Lower costs for small-firm workers:** States could introduce measures to limit growth in premiums and cost sharing in fully insured employer plans.

The full report will be available after the embargo lifts at:

<https://www.commonwealthfund.org/publications/issue-briefs/2024/dec/trends-employer-health-insurance-costs-2014-2023>

Sara R. Collins, study coauthor and Commonwealth Fund Senior Scholar and Vice President for Health Care Coverage and Access & Tracking Health System Performance

“This report underscores how not all employer health plans are created equal. Workers at small businesses often shoulder higher premiums for plans that have higher deductibles than those at larger companies. But these affordability issues all have workable policy solutions — whether it’s creating a federal fallback for Medicaid-eligible workers in states that have not expanded the program or making it easier for small-business employees to qualify for subsidized marketplace coverage. It’s time to make sure that health insurance is affordable for all working families.”

Joseph R. Betancourt, M.D.,
Commonwealth Fund President

“One thing is clear: Employees at both small and large companies are seeing their premiums and deductibles continue to climb, and hard-working families are paying the price. Many patients are simply forgoing needed care because they can’t afford more medical bills. This report highlights the urgent need for real policy action to address the root cause of this crisis: America’s unsustainable and spiraling health care costs.”

HOW WE CONDUCTED THIS STUDY

This data brief analyzes state-by-state trends in private sector employer health insurance premiums and deductibles across small and large firm sizes from 2014 to 2023. The data on total insurance premium costs, employee premium contributions, and deductibles come from the federal Agency for Healthcare Research and Quality’s (AHRQ) annual survey of employers, conducted for the insurance component of the Medical Expenditure Panel Survey (MEPS-IC). The MEPS-IC is administered to workplace establishments. Establishments represent a work location, not necessarily a firm, which can employ people in many locations. Workplace establishments are selected each year from the U.S. Census Bureau’s Business Register — a confidential list of such establishments in the United States. Once selected, establishments are contacted via mail and phone to establish a contact person who is knowledgeable about the health insurance benefits offered to employees. This contact (generally a workplace administrator) is asked about each of the health plans offered to employees that work at the establishment location. If the establishment offers more than four plans, details are collected about the four plans with the largest enrollment. In 2023, MEPS-IC surveyed 42,465 establishments and had a response rate of 52.9 percent.

AHRQ reports MEPS-IC premium, employee contribution, and deductible data separately for single (i.e., employee only) and family plans. Estimates are further defined by firm size and other establishment characteristics. For this brief, we report data defined by firm sizes of less than 50 employees (“small firms”) and 50 or more employees (“large firms”). The total premiums in this brief represent the average total annual cost of private group health insurance premiums for employer-sponsored coverage, including both the employer and employee shares. We also examine trends in the share of premiums that employees pay and average deductibles across firm sizes.

ADDITIONAL PERTINENT RESEARCH

[The State of Health Insurance Coverage in the U.S.](#)

[The Health of the Small-Group Insurance Market](#)

[Small-Business Owners’ Views on Health Coverage and Costs](#)

[State Trends in Employer Premiums and Deductibles, 2010–2020](#)
