Ignition

The Benefits Blind Spot

What small companies are really paying for healthcare in 2026

ignitionbenefits.com

The Benefits Blind Spot:

what small companies are really paying for healthcare in 2026

64%

of SMBs to sacrifice something, most often the raise and bonus budget (26%).

Small companies rarely get to see what's behind their health insurance bill. Ignition Benefits surveyed 503 leaders at U.S. small and mid-sized businesses (SMBs) with 10 to 250 employees about their latest renewal, and their answers describe a purchase made largely in the dark. Most got little explanation for their new number, few shopped it hard, and almost nobody had ever checked whether they were overpaying.

The costs didn't stay on the balance sheet, either. Leaders told us the increases cut into raises, hiring plans, and their own paychecks, while GLP-1 medications added a pharmacy expense most covering employers couldn't measure. And when the renewal letter arrived, nearly half of the companies simply paid the first number they were given.

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Key takeaways

- At their latest renewal, 39% of SMBs faced a double-digit increase in health insurance premiums, with an average hike of 7%.
- Covering the last increase forced 64% of SMBs to sacrifice something, most often the raise and bonus budget (26%).
- Benefits costs have taken a personal toll on 59% of leaders, from retirement cutbacks to pay freezes.
- Nearly half of SMB leaders (49%) believe they have been overcharged for health coverage, but only 17% feel sure enough to call it.
- Only 31% of SMBs got a clear breakdown of what was driving their costs at their last renewal.
- Northeast companies pay $2,652 more per employee each year for health coverage than companies in the West.
- Among employers covering GLP-1s, 58% can't say what the drugs add to their renewal costs, and only 11% know the exact amount.
- If GLP-1s pushed the next renewal up another 6% to 14%, 63% of covering employers would restrict or drop the coverage.
- Rising healthcare costs have made it harder to compete for talent, according to 53% of SMBs.
- While 41% of companies assume their broker already finds them savings, only 6% have ever actually checked.

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Double-Digit Renewals Left Companies Cutting Raises

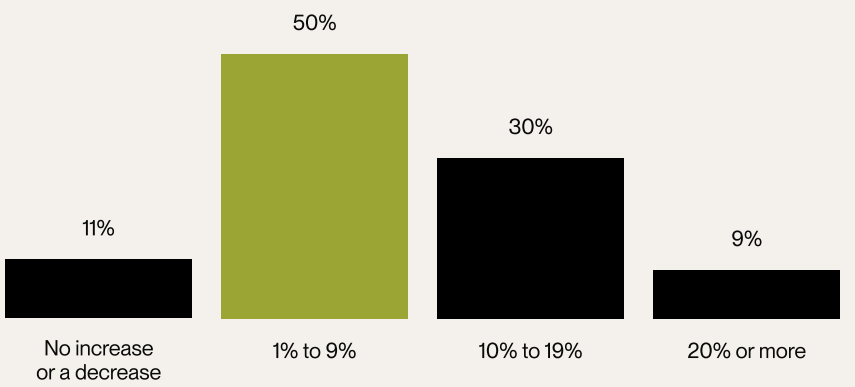
The health insurance renewal letters that landed this year set the tone for everything that followed.

The Renewal Reckoning

What SMBs paid at their most recent health insurance renewal

How much premiums changed at the most recent renewal

Among the 357 SMB leaders who could name their number

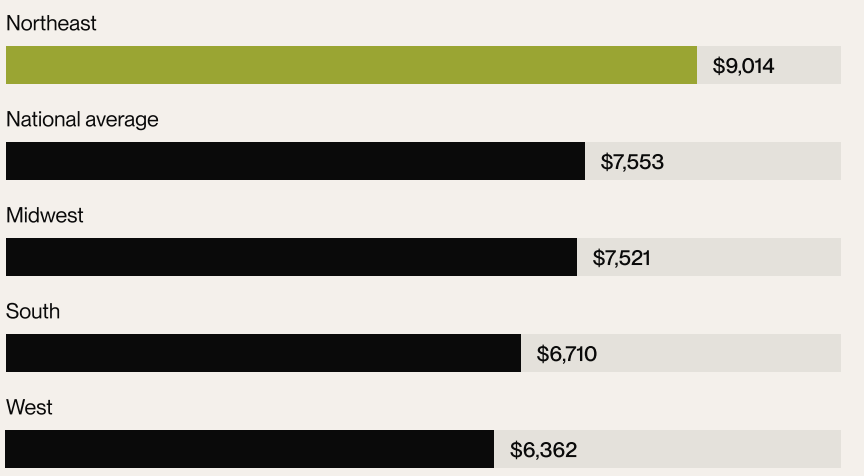


39%

of SMBs took a double-digit increase at their latest renewal. The average hike was 7%.

Annual premium per employee, by region

Average annual cost per covered employee, among the 238 SMB leaders who provided a figure



Among the leaders who could name their renewal number, 39% took a double-digit increase, and 9% saw a 20% or more increase, while the overall average hike was 7%. Women leaders reported double-digit hikes far more often than men (47% vs. 31%), as did companies on PEOs compared to those working directly with a carrier or broker (49% vs. 34%). The South had the roughest renewals, with 45% taking a double-digit increase. Healthcare posted the steepest average of any industry at 9%. Manufacturing, construction, and trades saw the mildest top end, with only 2% reporting an increase of 20% or more.

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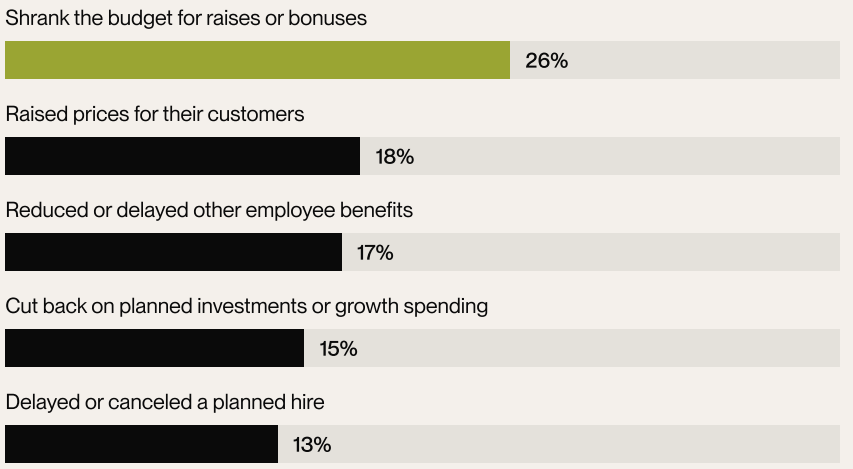
Geography also shaped the baseline bill. Among the leaders who could estimate their per-employee cost, Northeast companies paid the most at $9,014 per covered employee per year, and Western companies the least at $6,362, a $2,652 annual gap. The national average was $7,553. Traditional fully insured plans ran $8,005 per employee, roughly $2,100 more than level-funded or self-funded plans ($5,914).

The Cost Behind the Cost

The tradeoffs SMBs made to cover their latest increase

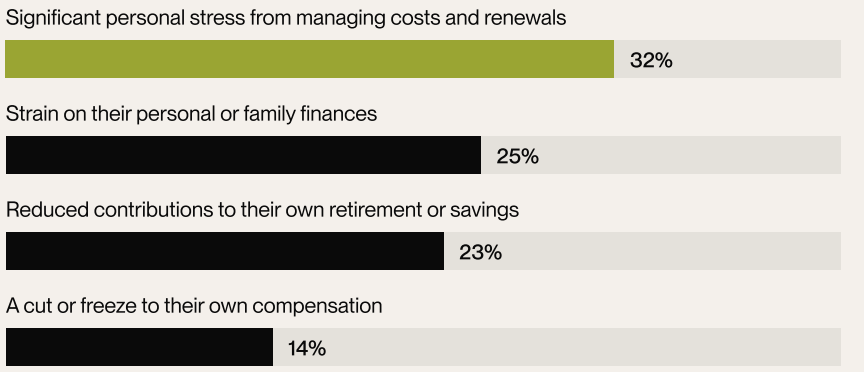
What the latest health insurance increase forced SMBs to do



64%

of SMBs made at least one business tradeoff to cover their latest increase.

How benefits costs have hit SMB leaders personally



59%

of SMB leaders say benefits costs have taken a personal toll on them in at least one way.

Paying for the increase came at a price of its own. Nearly two-thirds of companies (64%) made at least one business tradeoff to cover it, most often shrinking the budget for raises and bonuses (26%). The squeeze ran hardest in healthcare, where 79% made a tradeoff, and 29% passed the cost along by raising prices for customers. Companies on PEOs made tradeoffs far more often than those working directly with a carrier or broker (77% vs. 60%), including more than twice the rate of delayed or canceled hires (23% vs. 10%).

The toll reached leaders personally as well. Most (59%) said benefits costs have affected them in at least one way, a share that rose to 65% among Gen Z leaders and 76% at companies offering only limited health benefits. Northeast leaders were the least affected, with 47% reporting any personal impact. Personal stress ran hottest in the South, where 39% reported significant stress from managing costs and renewals, compared to 24% in the West.

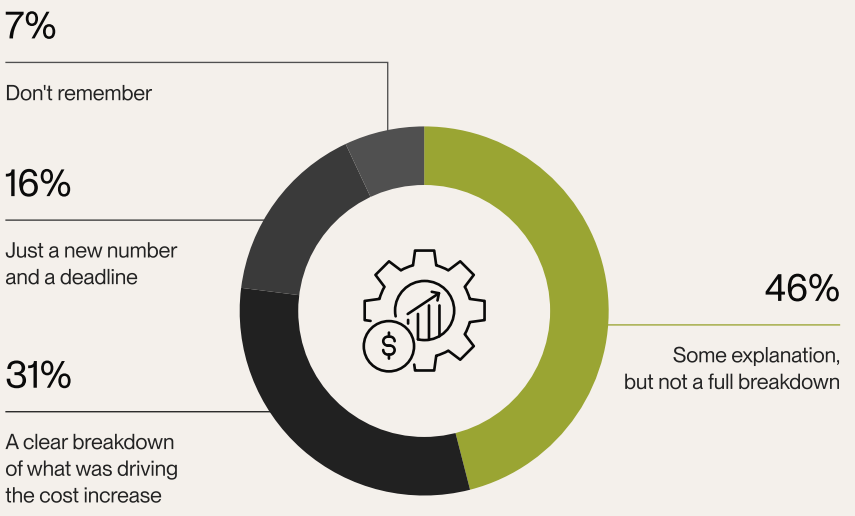
Most Leaders Never Saw What Was Driving Their Costs

New renewal numbers arrived with very little explanation attached.

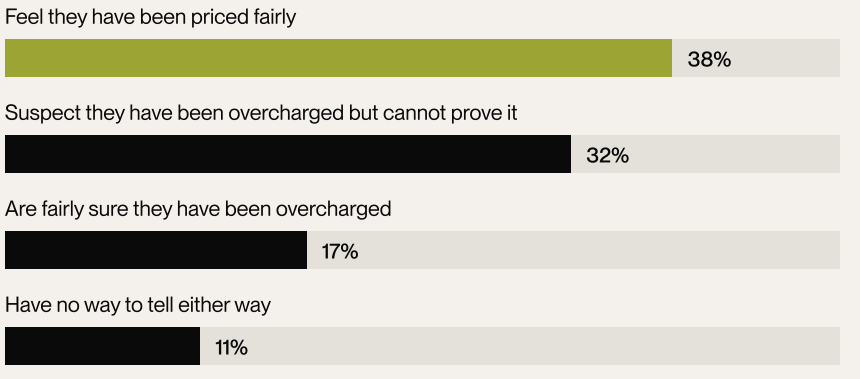
Flying Blind

What SMB leaders were told at renewal, and how fairly they believe they are priced

What insurers and brokers actually gave SMBs before the last renewal



How SMB leaders feel about the way they have been priced



49%

overall believe they have been overcharged for health coverage, but most cannot prove it.

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Nearly half of SMB leaders overall (49%) believe they have been overcharged for health coverage, but only 17% felt confident enough to say so outright. More than 1 in 10 SMBs (11%) said they had no way to tell either way. The doubt ran deepest in healthcare, where 60% of leaders suspected or were sure they'd been taken advantage of.

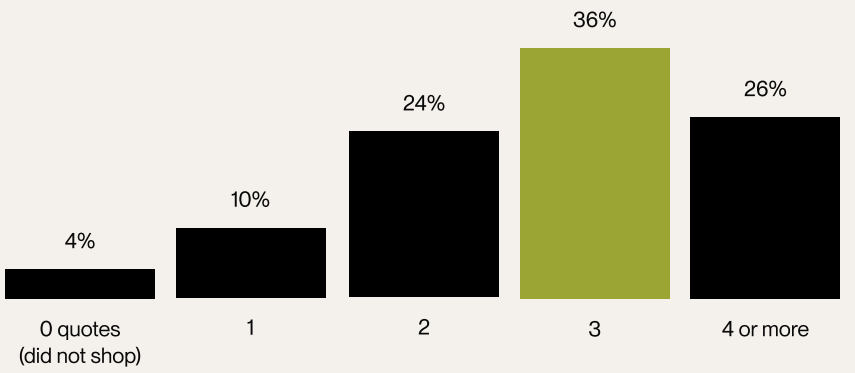
Transparency was scarce. Only 31% of companies received a clear breakdown of what was driving their cost increase, and C-level executives were the least likely of all roles surveyed to receive one (24%). Retail, hospitality, and consumer services companies were the most likely to be handed just a new number and a deadline (25%), compared to 9% of technology companies.

The Shopping Shortfall

How hard SMBs shopped their coverage, and how confident they feel about the price

Carrier quotes compared at the most recent renewal

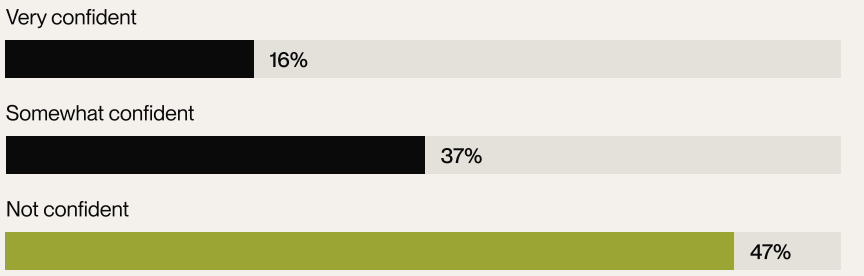
Among the 316 SMB leaders who could name their number



38%

of SMBs compared 2 or fewer carrier quotes at their last renewal. The average SMB compared 3.

SMB leader confidence that their company is not overpaying right now



Shopping around didn't fill the gap. Among the leaders who could say how many quotes they compared, 38% shopped two or fewer carriers, and 37% of all respondents couldn't say how many they compared.

Companies on level-funded or self-funded plans shopped the least, with 58% comparing two or fewer, as did Gen Z leaders, half of whom did the same.

The doubt that followed was widespread. Almost half of leaders (47%) weren't confident their company was paying the right price, peaking in the Midwest at 58%, where 16% weren't confident at all. Gen Z leaders were the most confident generation (67% at least somewhat confident, vs. 48% of millennials and 46% of Gen X), and companies on PEOs felt more secure than those working directly with a carrier or broker (65% vs. 49%), even though PEO companies reported larger renewal increases.

The GLP-1 Bill Most Employers Can't See

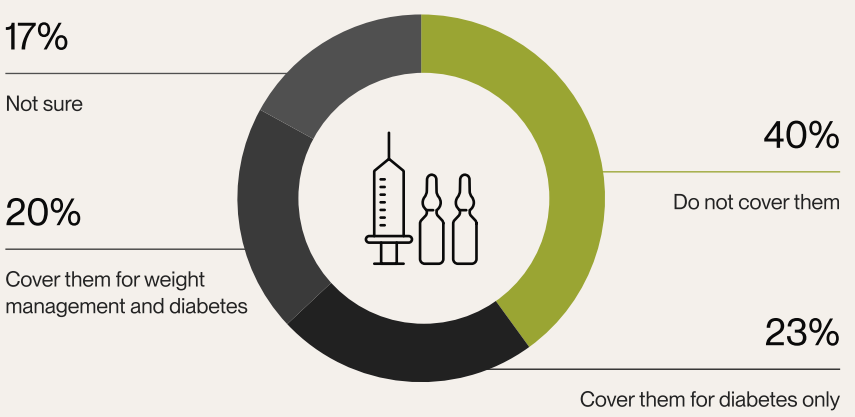
GLP-1 medications such as Ozempic and Wegovy have become a renewal question few companies can answer.

The GLP-1 Wildcard

The line item reshaping renewals that most employers cannot even see

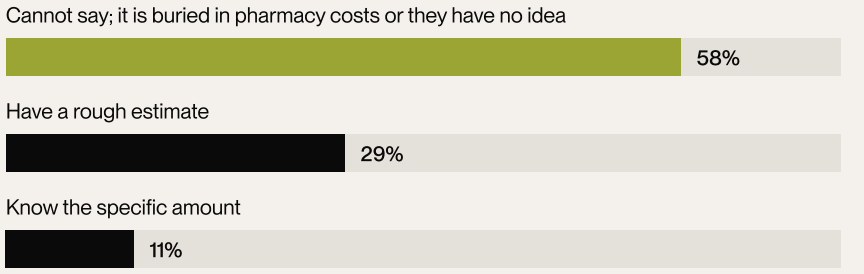
How SMB health plans handle GLP-1 medications

Drugs such as Ozempic, Wegovy, and Zepbound



Whether covering employers know what GLP-1s added to their renewal

Among the 219 SMBs whose plans cover GLP-1s



Among the companies whose plans cover GLP-1s, 58% couldn't say what the drug coverage added to their renewal costs, and only 11% knew the specific amount. This leaves a fast-growing pharmacy expense invisible to most employers who pay for it. Among covering employers, 68% of those working directly with a carrier or broker couldn't isolate their GLP-1 costs, compared to 38% on PEOs. Gen X leaders also had the least visibility of any generation at 70%.

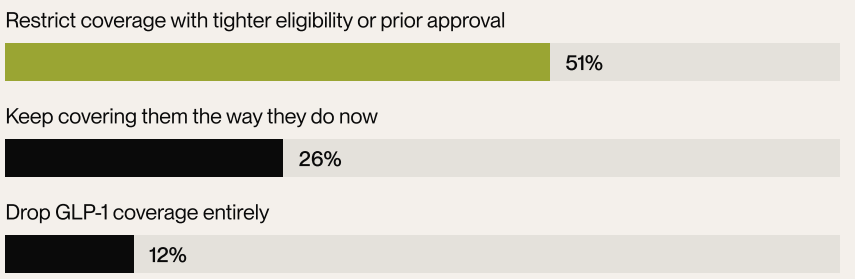
Coverage itself is split by benefits setup and geography. A third of PEO companies (33%) covered GLP-1s for weight management, compared to 16% of companies working directly with a carrier, and 48% of Western companies didn't cover the drugs, the highest share of any region.

The GLP-1 Decision

What another premium hit would do to coverage, and what the answer is costing employerse

What covering employers would do if GLP-1s pushed the next renewal up another 6% to 14%

Among the 219 SMBs whose plans cover GLP-1s



63%

of covering employers would restrict or drop GLP-1 coverage if it pushed the next renewal up another 6% to 14%.

The talent pressure behind the coverage question

Among all 503 SMBs surveyed

35%

have had employees ask them to cover GLP-1 medications.

12%

have worried about losing talent over their GLP-1 coverage decision.

6%

have actually lost an employee or a recruit over that decision.

The coverage also came with conditions. If GLP-1s pushed the next renewal up another 6% to 14%, 63% of covering employers said they would restrict or drop coverage, and only 26% would keep covering the drugs as they do now.

Manufacturing, construction, and trades companies would fold fastest at 80%, followed by retail and hospitality (72%) and technology (71%).

Employees were already applying pressure. More than a third of companies (35%) said employees have asked for GLP-1 coverage, rising to 43% in the South and 46% among PEO companies. Overall, 18% of SMBs had worried about losing talent due to their GLP-1 decision, or had already lost someone.

The exposure was highest among level-funded or self-funded companies, where 28% had worried, and 16% had lost an employee or recruit. Managers heard the most of it, too. Among them, 43% said employees have asked for coverage, and 16% had worried about talent loss, more than double the 7% reported by C-level executives.

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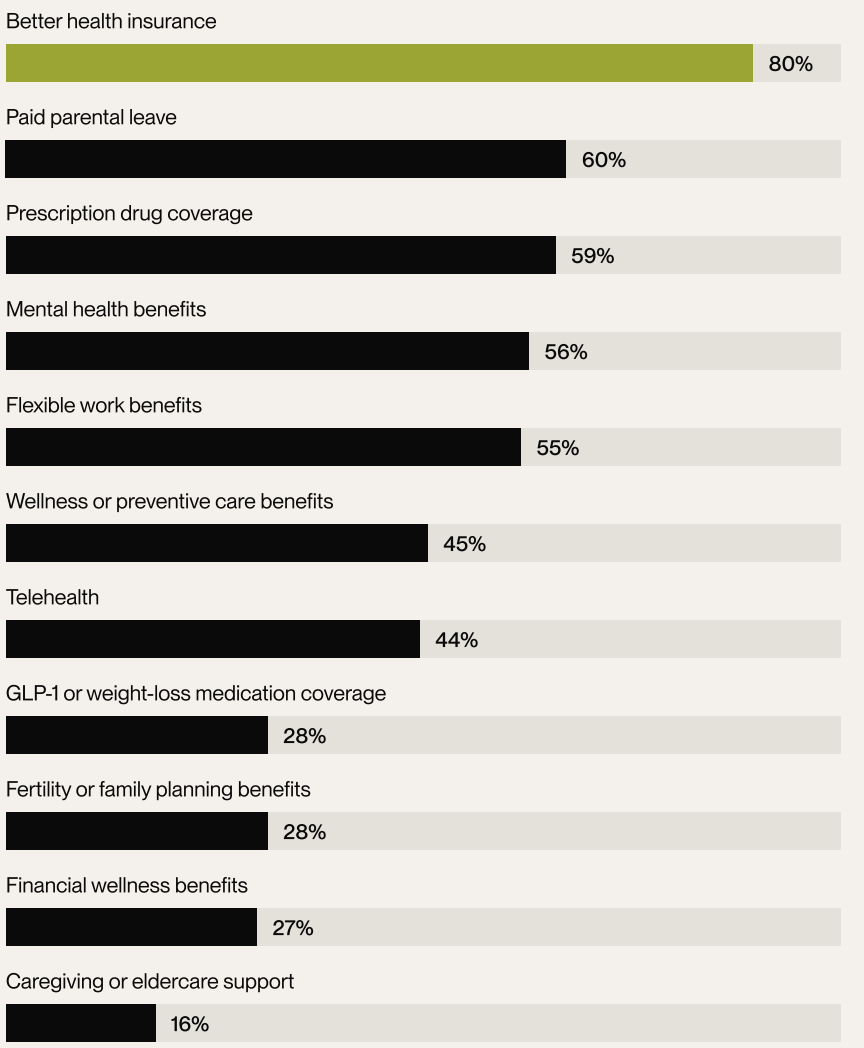
Employees Expect More While Plans Fall Short

Even as costs climbed, leaders said the benefits bar kept rising.

The Rising Bar

The benefits SMB leaders believe employees now expect

Benefits employees increasingly expect, according to SMB leaders



53%

of SMBs say rising healthcare costs have made it harder for their company to compete for talent.

Better health insurance topped the employee expectation list at 80%, and the bar rose with seniority. Vice presidents reported the highest expectations for any role across nearly every benefit, including fertility or family planning (53%) and GLP-1 coverage (43%). Nearly 3 in 4 Gen X leaders (74%) said employees increasingly expect prescription drug coverage, compared to 42% of Gen Z leaders, who pointed more often toward mental health benefit expectations (61%).

Regional GLP-1 expectations varied, with 34% of Southern leaders saying employees increasingly expected weight-loss medication coverage, compared with 18% in the West. And the squeeze showed up in hiring.

More than half of SMBs (53%) said rising healthcare costs have made it harder to compete for talent. The strain was felt most in healthcare itself, where 20% said it has hurt significantly, and among PEO companies (66% vs. 52% of companies working directly with a carrier).

Where the Plan Falls Short

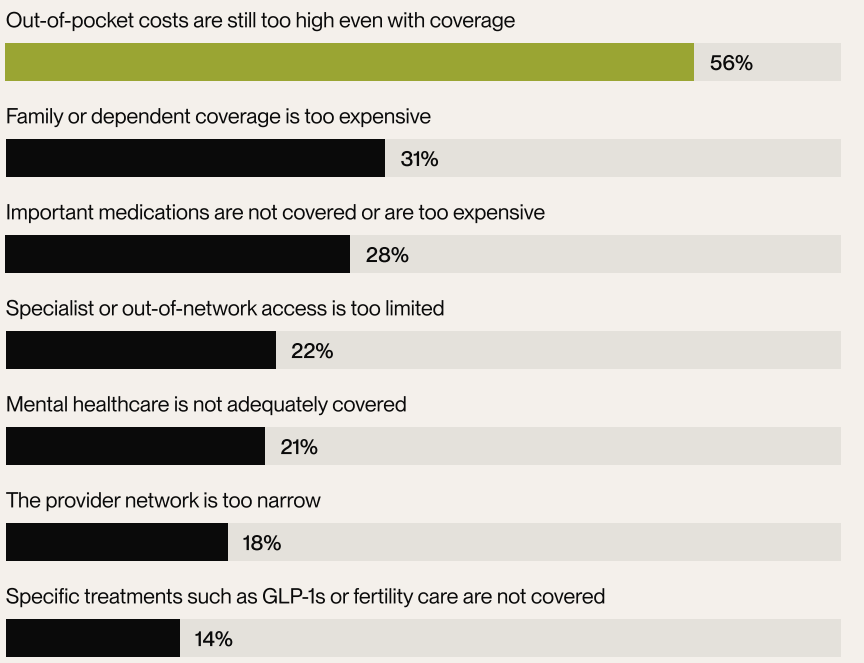
The costs employees feel most, and where SMB leaders admit coverage is not keeping up

The biggest healthcare cost pain points for employees, according to SMB leaders

36%
say monthly premiums are the biggest pain point for employees.

25%
say deductibles hurt employees the most.

Where current health plans fall short of what employees actually need



Monthly premiums were the top employee pain point for 36% of leaders, but women heard about deductibles far more than men did (30% vs. 19%), while men were more likely to cite premiums (40% vs. 32%). Only 10% of leaders said their plan meets employee needs, and 56% admitted out-of-pocket costs are still too high even with coverage in place, a complaint that peaked among Gen X leaders at 62% and C-level executives at 68%.

Companies offering only limited health benefits showed the deepest gaps, with 42% saying important medications aren't covered or affordable, and another 42% saying specialist or out-of-network access is too limited, both roughly double the rates at companies with healthier plans.

Family coverage was another sore spot. Nearly a third of leaders (31%) said family or dependent coverage is too expensive, climbing to 40% in healthcare and 36% among managers, the role closest to frontline complaints.

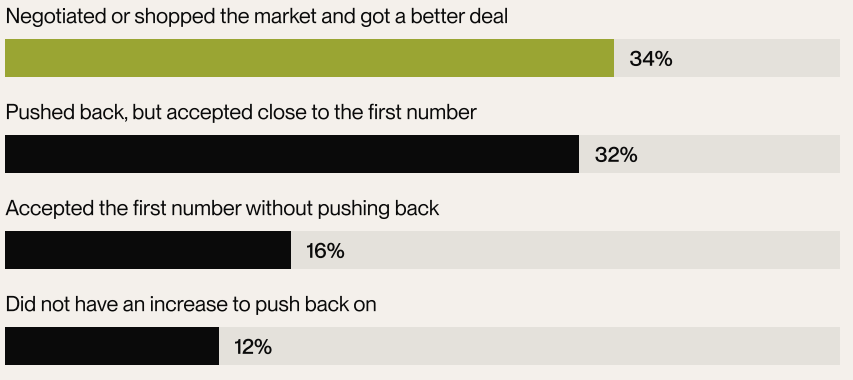
Most Companies Paid the First Number They Saw

All of this came to a head at the negotiating table, where most companies didn't push.

Who Blinks at Renewal

How SMBs responded to their last increase, and what they do when costs spike

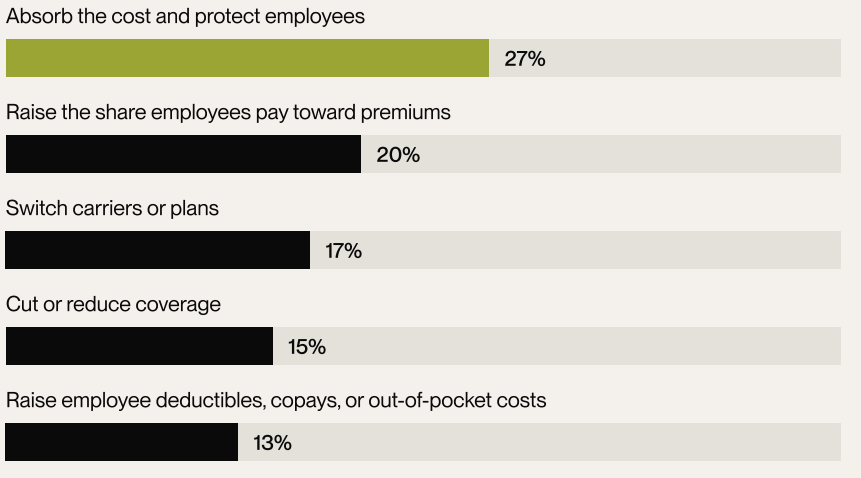
What SMBs did about their most recent renewal increase



48%

of SMBs ended up paying at or close to the first number their insurer put in front of them.

An SMB's first move when health coverage costs spike



48%

default to shifting the cost onto employees through premiums, deductibles, or cuts.

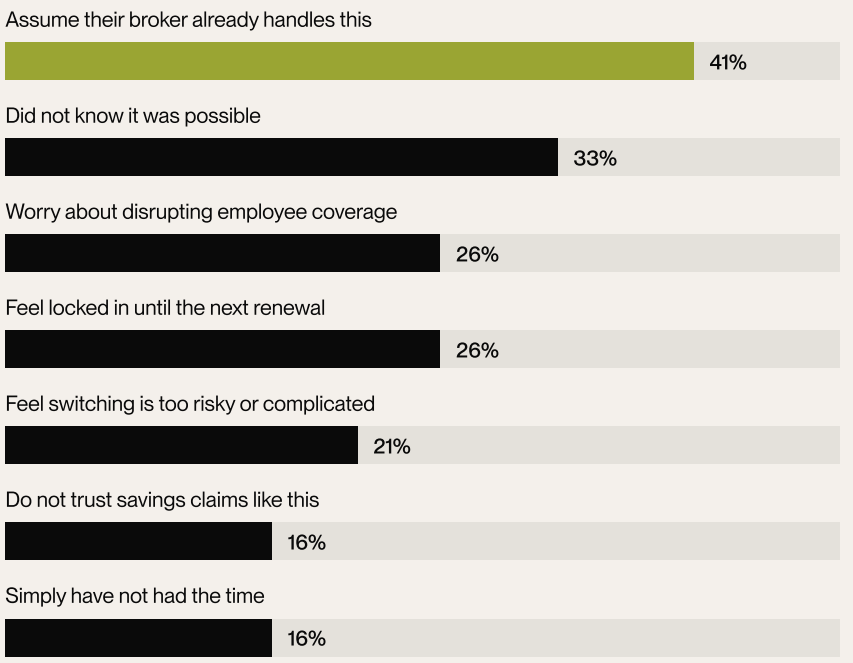
Nearly half of SMBs (48%) ended up paying at or near the first number their insurer quoted them. Companies working directly with a carrier or broker negotiated a better deal just 31% of the time, compared to 45% of PEO companies. Owners and founders outperformed the C-suite at the table, winning a better deal 43% of the time, vs. 37% for the C-suite.

When costs spiked, 48% of companies shifted the burden onto employees through premium sharing, deductibles, or coverage cuts, while just 27% absorbed the cost to protect their team. The absorbers clustered in manufacturing, construction, and trades (36%) and in the West (36%). Technology companies were most likely to raise employees' share of premiums (32%), and Gen Z leaders were most likely to cut coverage outright (28%).

The Savings Nobody Checks

What stops SMBs from a 15-minute review that could surface 15% to 30% in savings

Why SMBs have not checked whether they are overpaying



41%

assume their broker already finds them savings, yet only 6% have actually run a review.

The awareness gap around alternative funding models

ICHRA, level-funded, and self-funded plans

19%
are not familiar with alternative funding models.

30%
have never considered switching to one.

18%
are dissatisfied with their current benefits partner.

The biggest thing standing between companies and health insurance savings was misplaced trust. While 41% assumed their broker already handled it, a share that rose to 45% among Gen X leaders, only 6% of companies had ever actually run a review. Feeling locked in until the next renewal held back 40% of C-level executives, and PEO companies worried most about disrupting employee coverage (40%). A lack of time ranked near the bottom at 16%, suggesting that what holds companies back is assumption rather than a genuine shortage of time.

Awareness of alternatives was thin. Roughly 1 in 5 leaders (19%) were unfamiliar with ICHRA, level-funded, or self-funded models, and 30% had never considered them. Gen X was the most entrenched, with 40% never having considered a switch.

Only 15% of SMB leaders were very satisfied with their benefits partner. Dissatisfaction peaked in healthcare at 29%, nearly three times the rate in professional and business services (10%). Technology companies (27%) and PEO companies (26%) were actively considering a switch, about triple the 9% rate of those working directly with a carrier.

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Closing the Blind Spot

Healthcare benefits will likely remain one of the biggest expenses SMBs face, but the findings suggest that many companies have more control than they realize. Asking for greater pricing transparency, comparing multiple options before renewal, and reviewing whether a current plan still fits the business can help leaders make more informed decisions rather than simply accepting rising costs. For small businesses where every dollar counts, a more proactive approach to benefits could protect both the bottom line and the employees who depend on it.

Methodology

For this study, Ignition Benefits surveyed 503 leaders at U.S. SMBs with 10 to 250 employees between July 2nd and July 16th, 2026. Respondents were screened for a company leadership role, and the sample included owners and founders (10%), C-level executives (14%), vice presidents (6%), directors (31%), managers (33%), and HR, finance, or operations specialists (6%). Respondents were 51% women and 49% men. Generationally, 11% were Gen Z, 52% were millennials, 31% were Gen X, and 6% were baby boomers.

About Ignition Benefits

Ignition Benefits is an employee benefits brokerage built for startups and high-growth companies with up to 500 employees. We use anonymized employee health data to expose overpayment and negotiate better rates, saving clients an average of 20% in the first year. Ignition handles the entire process end to end, from carrier calls and paperwork to enrollment and ongoing account management, so your team doesn't have to. You get expert plan design tailored to your workforce, hands-on support through open enrollment and renewals, and clear pricing with no long-term contracts.

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