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New York's Small Group Market Has Big Problems

Health insurance premiums are set to rise by 13 percent for small businesses — on pace to double by 2031

Key Findings

- New state data show health insurance premiums will rise by an average of 13.0 percent in 2026 in the small group market, which covers businesses with up to 100 employees. This outpaces the 2025 average rate increase of 8.4 percent, confirming FPI's recent warning that the market may be facing a death spiral.
- New York's individual marketplace faces a relatively low average rate increase of 7.1 percent for 2026. However, over half of enrollees rely on enhanced premium tax credits, which are set to expire at the end of this year under the One Big, Beautiful Bill Act, to afford coverage.
- From 2024 to 2025, New York's small group market enrollment dropped by 8 percent, continuing a recent trend of accelerated – and unsustainable – shrinkage.
- The biggest insurer in the small group market, Oxford, was approved for a 12 percent rate increase, which could push already high premiums in the NYC metro region and Long Island even higher.
- NY's Department of Financial Services approved a 15 percent rate increase for the small group market's second-largest insurer, Excellus, indicating that rapid premium growth in upstate regions such as Rochester will continue into next year.

Introduction

New numbers released by New York's Department of Financial Services (DFS) show premiums will rise steeply for many small businesses in 2026. On average, premiums in the small group market, which covers companies with up to 100 employees, will go up by 13 percent. In addition, enrollment in the small group market continues to shrink at an unsustainable rate. These figures confirm FPI's warning

earlier this year that in some areas of the state New York's small group market may be facing a vicious cycle of rising premiums and dropping enrollment known as a "death spiral."

Our previous [report](#) discussed how trends of shrinking enrollment and rising premiums have accelerated in the small group market over recent years, likely reinforcing each other: as the price of health care coverage rises, employers and employees are increasingly likely to exit the market.¹ While small businesses may seek to save money by dropping health care coverage or finding alternative arrangements such as Professional Employer Organizations, these options are more likely to benefit organizations with relatively younger and/or healthier employees. Those facing serious health conditions, such as cancer, benefit from the protections that the small group market offers. Under Affordable Care Act regulations, insurers are required to charge the same premium to all small businesses in a region rather than adjusting pricing based on each organization's employees, which would make coverage prohibitively expensive for some.

Of course, this model only works given a sufficiently large pool of employees in each region with a well-balanced range of health needs. Currently, the small group market is showing marked signs of distress that threaten access to affordable health care coverage for all. To ensure the small group market works as intended, policy solutions should address ongoing issues in the market as well as the root cause of high premium growth: rising health care prices. Controlling prices could not only help stem the rapid rise of premiums in the small group marketplace but also help make health care coverage more affordable for other groups, including individual marketplace enrollees.

The newly announced rate increases also raise concerns about New York's individual market, which is comparatively healthy. The individual marketplace – which allows people who aren't insured through their employers to purchase their own coverage – will see a relatively low average rate increase of 7.1 percent for 2026. Unfortunately, the expiration of enhanced premium tax credits under the One Big, Beautiful Bill Act (OBBBA) at the end of this year will result in large price hikes for many consumers in the individual marketplace.² Over half the market, 140,000 enrollees, is estimated to rely on these tax credits to be able to afford premium prices.³ The state expects the loss of premium tax credits will cost an average \$228 each month for a couple purchasing coverage, or over \$2,700 in a year. Relatively low rate increases for individual marketplace insurers may help mitigate the damage, but do little to prevent other administrative changes under the OBBBA that could cause a third of enrollees to lose coverage.⁴ The OBBBA will also make immigrants ineligible to receive enhanced premium tax credits, making it much harder for asylum-seekers and those on student or work visas to afford health care coverage.⁵

¹ Bailey Hu and Michael Kinnucan, "Troubling trends in New York's small group market," Fiscal Policy Institute, July 16, 2024, <https://fiscalspolicy.org/troubling-trends-in-new-yorks-small-group-market>.

² Michael Kinnucan, "New York's Individual Market is Headed for Disaster under the OBBBA," Fiscal Policy Institute, June 30, 2025, <https://fiscalspolicy.org/new-yorks-individual-market-is-headed-for-disaster-under-the-obbba>.

³ Office of Governor Kathy Hochul, "Governor Hochul Unveils New Data Showing Massive Increases to New Yorkers' Monthly Health Insurance Premiums if GOP's 'Big Ugly' Reconciliation Bill Becomes Law," June 9, 2025, <https://www.governor.ny.gov/news/governor-hochul-unveils-new-data-showing-massive-increases-new-yorkers-monthly-health>.

⁴ Alice Burns, Jared Ortaliza, Justin Lo, Matthew Rae, and Cynthia Cox, "How Will the 2025 Reconciliation Law Affect the Uninsured Rate in Each State?" Kaiser Family Foundation, August 20, 2025, <https://www.kff.org/uninsured/how-will-the-2025-reconciliation-law-affect-the-uninsured-rate-in-each-state/>.

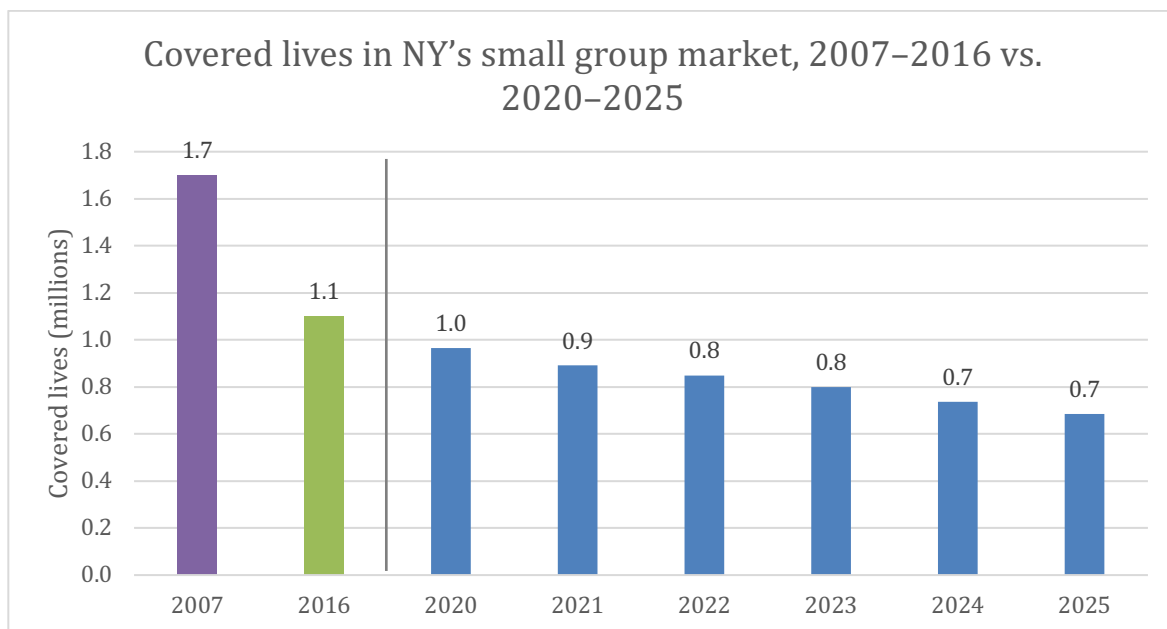
⁵ Kinnucan, "New York's Individual Market," 4.

While the small group marketplace will not be directly impacted by the loss of enhanced premium tax credits, the latest rate increases point toward continued distress in the market.

The Small Group Market Keeps Getting Smaller

According to DFS, over the last year the small group market lost another 52,000 covered lives (8 percent), shrinking to around 685,000 lives.⁶ This continues a streak of rapid downsizing from 2020 to 2024, in which New York’s small group market lost close to a quarter of its enrollment.⁷ Although the market has been shrinking over the last two decades, especially since the passage of the Affordable Care Act, the pace of enrollment losses has accelerated in the last six years.⁸

Figure 1. Dropping enrollment in New York’s small group market



Source: United Hospital Fund (2007–2016), FPI analysis of DFS small group rate application filings (Exhibit 13C) (2019–2025).

DFS has not yet released finalized, detailed data on regional enrollment for small group insurers. However, if recent trends are any indication, the latest drop in enrollment is likely driven by people leaving the small group market in the NYC metro area (including Westchester and Rockland counties) and Long Island.⁹ In 2024, these two regions also had the highest average monthly premiums – above

⁶ New York State Department of Financial Services, “2026 Individual and Small Group Requested & Approved Rate Actions,” updated August 29, 2025, <https://myportal.dfs.ny.gov/web/prior-approval/ind-and-sg-medical/summary-of-2026-requested-rate-actions>.

⁷ Hu and Kinnucan, “Troubling Trends,” 4–5.

⁸ See Peter Newell, “New York’s Small Group Market Isn’t Feeling Well-and a Trump Administration Proposal May Make Things Worse,” United Hospital Fund, December 7, 2017, <https://web.archive.org/web/20230320183046/https://uhfnyc.org/publications/publication/new-yorks-small-group-market-isnt-feeling-well-and-a-trump-administration-proposal-may-make-things-worse>.

⁹ Hu and Kinnucan, “Troubling Trends,” 5.

\$1,200 for a gold-tier, single-coverage plan – which likely drove small businesses and their enrollees to seek more affordable coverage elsewhere.

Regional Premiums Are Poised to Continue Rising

Due to a lack of data, it is difficult to assess exactly how premium prices have changed across regions in the last year. However, it seems likely that premiums in most regions of the state will go up as statewide prices continue to rise. For 2026 small group plans, DFS approved a statewide average rate increase of 13.0 percent, higher than last year’s average increase of 8.4 percent (see Table 1 for a detailed breakdown).¹⁰

Some insurers’ rate increases have an outsize impact. New York’s small group market is dominated by Oxford Health Insurance Inc., a subsidiary of UnitedHealth Group Inc., which covered slightly over half of all enrollees (51 percent) as of January 1, 2026.¹¹ Excellus, the second biggest insurer in the market, had a 20 percent market share, while the third-largest Independent Health Benefits Corporation (IHBC) covered 7 percent of all enrollees.

Both Oxford and Excellus saw higher rate increases for 2026 plans compared to 2025. Oxford’s approved 2026 rate increase was 11.8 percent, more than twice the 5.3 percent bump for 2025. Excellus also saw a jump in rate increases, with 15.0 percent approved for 2026 compared to 10.5 percent for 2025.

Since Oxford is by far the largest insurer in both the NYC metro area and Long Island – covering over 80 percent of enrollees in each region in March 2024 – these high-priced areas may see even higher average premiums next year.

Excellus is the dominant insurer in the Rochester region, which includes Livingston, Monroe, Ontario, Seneca, Wayne, and Yates counties. Since Rochester’s weighted average gold tier premiums skyrocketed by 45 percent from 2020–2024 (20 percent after accounting for inflation), this area could see continued high premium growth into next year.

¹⁰ Sources: New York State Department of Financial Services, “2026 Individual and Small Group Requested & Approved Rate Actions,” updated August 29, 2025, <https://myportal.dfs.ny.gov/web/prior-approval/ind-and-sg-medical/summary-of-2026-requested-rate-actions>; “2025 Individual and Small Group Requested & Approved Rate Actions,” updated August 30, 2024, <https://myportal.dfs.ny.gov/web/prior-approval/ind-and-sg-medical/summary-of-2026-requested-rate-actions>.

¹¹ Department of Financial Services, “2026 Individual and Small Group Requested & Approved Rate Actions — Additional Information,” <https://myportal.dfs.ny.gov/web/prior-approval/ind-and-sg-medical/additional-information-2026>.

Table 1. Approved average rate increases went up from 2025–2026

| Company Name | Approved 2025 Rate Actions | Approved 2026 Rate Actions |
|---|----------------------------|----------------------------|
| Aetna Health | 11.3% | N/A |
| Aetna Life | 11.3% | N/A |
| Anthem Healthchoice Assurance (Formerly Empire) | 8.0% | 9.7% |
| CDPHP | 14.9% | 22.1% |
| CDPHP UBI | 19.8% | 20.0% |
| Emblem (HIP) | 7.0% | 1.3% |
| Excellus | 10.5% | 15.0% |
| Highmark (Formerly Healthnow) | 11.4% | 11.4% |
| IHBC | 21.7% | 14.4% |
| MVP Health Plan | 4.5% | 17.9% |
| MVP Health Services Corp. | 10.0% | 15.8% |
| Oxford Health Insurance Inc | 5.3% | 11.8% |
| UnitedHealthcare Ins Company of New York | 1.0% | 6.8% |
| Summary | 8.4% | 13.0% |

Source: DFS

Addressing Health Care Prices

In a previous [report](#), we pointed out the role of high health care prices, particularly hospital prices, in rapidly rising insurance premiums.¹² When health care providers charge more for goods and services, insurers raise premiums for employers and employees. According to DFS, the price of hospital stays [continues to go up](#) in New York, while tariffs will likely lead to [price hikes for pharmaceuticals](#).¹³ As a result, premiums in New York’s small group market will reach a new high point next year, after five years of rapid price growth across most regions of the state.

Greater regulation can help stem the flow of small group enrollees into alternatives such as Professional Employer Organizations, which addresses one of the ongoing issues in the market. However, the root

¹² Hu and Kinnucan, “Troubling Trends,” 4–5.

¹³ Amanda D’Ambrosio, “New Yorkers are set to see higher health insurance premiums again in 2026,” *Crain’s New York Business*, September 2, 2025, <https://www.crainsnewyork.com/health-pulse/new-yorks-health-insurance-premiums-set-increase-next-year>; Maya Goldman, “Tariffs drive some health plans to hike premiums,” *Axios*, June 18, 2025, <https://www.axios.com/2025/06/18/tariffs-health-insurance-premium-hikes>.

cause of the small group market's instability is increasing health care prices. This issue doesn't only affect the small group marketplace: higher commercial prices also contribute to growth in premiums for enrollees in the individual marketplace, exacerbating the impact of recent regulatory changes such as the loss of enhanced premium tax credits.

We again emphasize the urgent need to contain health care prices through a range of short- and long-term measures. Only comprehensive price control regulation can ensure the small group market – and other health care markets – returns to delivering high-quality, affordable coverage for years to come.