

Memorandum to the 2026 Health Joint Legislative Budget Committee on Health/Medicaid

Small Business Majority offers this Memorandum to outline the necessary healthcare policy actions that small businesses require in the wake of federal cuts to Medicaid and the longtime epidemic of healthcare unaffordability in the state.

Lack of access to affordable healthcare has, for a long time, been a major barrier to entrepreneurship in this country, and New York has the second highest health expenditures per capita, following only the District of Columbia, with more than 740,000 New Yorkers reporting having medical debt.¹ Now more than ever with the fallout from H.R. 1 and Congress's failure to extend critical tax credits, small business owners need state legislators to act. We recommend the following policies and actions.

Limit the negative impacts of H.R. 1 for small business owners, including stemming insurance coverage losses for citizens and lawful immigrants

Federal actions under H.R. 1 will cause an estimated 1.7 million New Yorkers to lose coverage, exacerbating the state's long-standing healthcare affordability crisis. These changes will disproportionately harm small businesses, which already face higher healthcare costs and more limited coverage options in the private market, and further impact immigrants who are twice as likely to start a small business than those born in the U.S. New York State must take decisive action to preserve coverage and address the structural drivers of rising healthcare costs.

According to our research in partnership with Georgetown University, one-third of all Medicaid enrollees are connected to small businesses, including owners, employees and their family members. In Medicaid expansion states like New York, nearly 1 in 5 people who earn their living at a small business rely on Medicaid for coverage.²

The effects of H.R.1 continue to be vast and will affect entrepreneurs across the state. Since these cuts will disrupt our federal funding for lawful immigrant health insurance enrollment, New York will phase out its 1332 waiver program and revert to operating a 1331 Basic Health Program (BHP). While this return to a BHP preserves health insurance through the Essential Plan for more than 600,000 lawfully present immigrants, federal changes would still eliminate coverage for approximately 480,000 New Yorkers.

Assuming New York's return to a BHP is approved, there are three options that the state can take to provide coverage for these groups, as researched by our partners at Community Service Society (CSSNY):

- Offer state-only funded Essential Plan coverage to the 444,000 New Yorkers (citizens and immigrants) expected to lose eligibility beginning in July 2026. Providing six months of coverage with no premium would cost between \$960 million and \$1.7 billion, depending on premium rate assumptions. Imposing a modest \$50 monthly premium would reduce state costs to approximately \$710-943 million annually, depending on rate levels.

¹ KFF, "Health care expenditures per capita by state of residence," KFF State Health Facts.

² Small Business Majority and Georgetown University Center for Children and Families, "[Medicaid and Small Businesses: Coverage for Owners, Employees and Their Families](#)," June 2025

- Offer state-only funded Essential Plan coverage for the 6,000 DACA recipients and residual Permanently Residing Under Color of Law immigrants with incomes between 138-200% of the FPL. The estimated annual cost is \$29-\$50 million, depending on premium levels.
- Establish a state-funded premium assistance program to ensure 30,000 lawfully present immigrants can afford Qualified Health Plans (QHPs), consistent with assistance provided to citizen enrollees. Estimated cost is \$244 million annually, beginning in 2027.

Pass the Fair Practices Act to make healthcare more affordable for small business owners and their employees

Our research shows that the vast majority of entrepreneurs (82%) say the government should set limits on what hospitals can charge for certain services. The Fair Pricing Act is an important first step towards creating an affordable healthcare system in New York. The Fair Pricing Act would help control hospital costs by enacting what is known as site-neutral policies. This means that a hospital would not be able to charge more for certain procedures than what would be charged for the same procedure in a doctor's office. For example, the 32BJ Health Fund found that a routine \$23 flu shot costs eight times more (\$183) when delivered in a hospital outpatient department. An IV for hydration was found to cost 25 times more. Under the FPA, these elevated charges would be limited to a fair price, 150% of what Medicare pays, for the same service in a lower-cost setting. Medicare has already adopted these site-neutral policies for several procedures and New York State should follow suit.³ The Fair Pricing Act could save \$72 million for New York State and \$1.14 billion for New Yorkers overall, providing much-needed relief for our employers and employees.

Study and focus efforts on fixing the small group market

From 2020 to 2024, the number of covered individuals in the small group market dropped from more than 960,000 to under 740,000, a loss of nearly a quarter.⁴ This trend of rising costs and declining enrollment is a serious concern for small business owners, as it creates a dangerous cycle in the small group market. As premiums rise, healthier individuals are more likely to drop coverage they can no longer afford because they do not require frequent care. Those who remain are more likely to have ongoing health needs, which further increases costs and drives premiums higher.

As the cost of small group plans become more unattainable for small businesses the playing field becomes increasingly uneven and further limits healthcare options for entrepreneurs. With this concerning trend continuing, we urge the state legislature to study the issues harming New York's small group market and propose solutions to ensure more small businesses and their employees can access and retain employer-sponsored coverage.

Establish an independent New York Office of Health Care Affordability to slow healthcare spending growth, promote high-value care and assess market consolidation

For far too long, small business growth has been stifled or halted because of the business owner's inability to access affordable, quality healthcare for themselves and their employees. From premiums to hospital visits, healthcare prices are squeezing small businesses. Anti-monopoly practices are creating an unfair playing field for New York small businesses. Now, more than ever, there is a clear need for stronger oversight of healthcare spending.

³ KFF, "[Five things to know about Medicare site-neutral payment reforms](#)," KFF Medicare, 2024.

⁴ Fiscal Policy Institute, "[Troubling trends in New York's small group market](#)," July 2025.

Following the model of California’s Office of Health Care Affordability (OHCA) and others like it, New York must establish a fair and independent affordability entity to oversee healthcare costs through price caps, transparency requirements and budget review processes.

The legislature must create an independent New York Office of Health Care Affordability to address long-term structural drivers of healthcare costs and improve healthcare delivery statewide.

Increase funding for Community Health Advocates

The healthcare system is incredibly complicated. As one Brooklyn-based small business owner put it, “It feels like I need a doctorate to understand healthcare.” The Community Health Advocates (CHA) program is crucial in advocating for entrepreneurs and their employees in a complicated system, including helping them access in-network care, resolve billing disputes, appeal coverage denials and avoid medical debt. In the past 15 years, CHA’s success has been indisputable, helping more than 564,000 clients statewide in all 62 counties, with savings of more than \$250 million in healthcare costs. In FY 2024–25 alone, CHA generated \$25 million in consumer savings, representing a 407% return on investment. Reinvesting in the CHA would mean that small business owners would have some support when navigating the healthcare system leaving them with more of the time they need to run their businesses effectively.

Increase funding for health insurance enrollment navigators

At Small Business Majority we hear countless stories about small business owners’ struggles with healthcare. Resources like the Navigator program are vital for providing unbiased, year-round, personalized assistance in more than 40 languages. This navigation, operated primarily through trusted community-based organizations, delivers culturally and linguistically competent services—reflective of the diverse and rich entrepreneurship that makes up our state. Approximately 70% of Marketplace enrollees, many of whom are self-employed, rely on in-person assistance, and more than 400,000 currently enrolled New Yorkers receive support through NY State of Health Navigators. As small business owners navigate ongoing changes to the healthcare system, increasing funding for this program is more important than ever.