SBAM Urges Support for Senate Bill 1011, Small Business AHPs

The Small Business Association of Michigan (SBAM) supports Senate Bill 1011. For Michigan's smallest employers, the price of offering health coverage has become the single greatest threat to hiring, growth, and survival. SB 1011 gives small businesses a new, fully regulated path to band together and buy comprehensive coverage, ensuring quality benefits to their employees and their families.

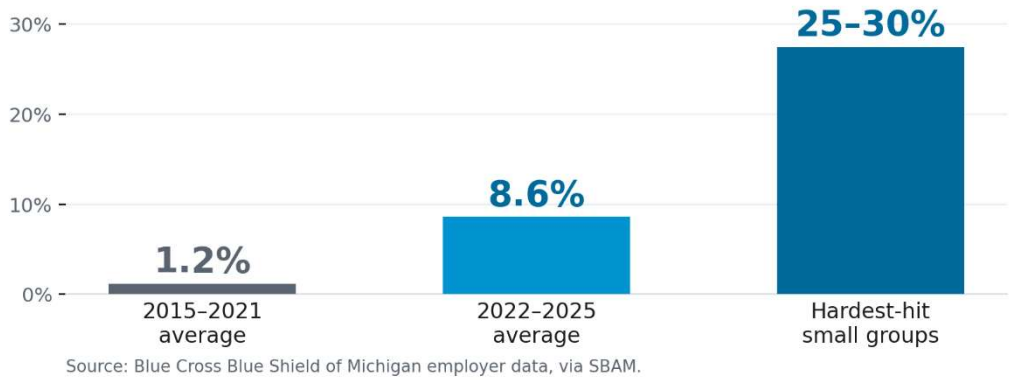
Breaking Point: Small businesses can no longer absorb cost increases

Employee health benefits have become *the* line item that is most inhibiting small business growth. Across SBAM member surveys over the last two years, the message is consistent.

~80%	$2,000	76%	51%
report double-digit premium increases	added cost per employee, per year	say costs limit their ability to hire	have reduced or eliminated benefits

For a 25-person business, a $2,000-per-employee increase equals $50,000 a year – money that could go towards hiring another employee, benefit or wage increases, or reinvesting in the business. More than three quarters of owners say these increases already limit their ability to hire, with roughly half being forced to reduce or even eliminate benefits as result.

Year-Over Year Premium Increases Continue to Grow



Source: Blue Cross Blue Shield of Michigan employer data, via SBAM.

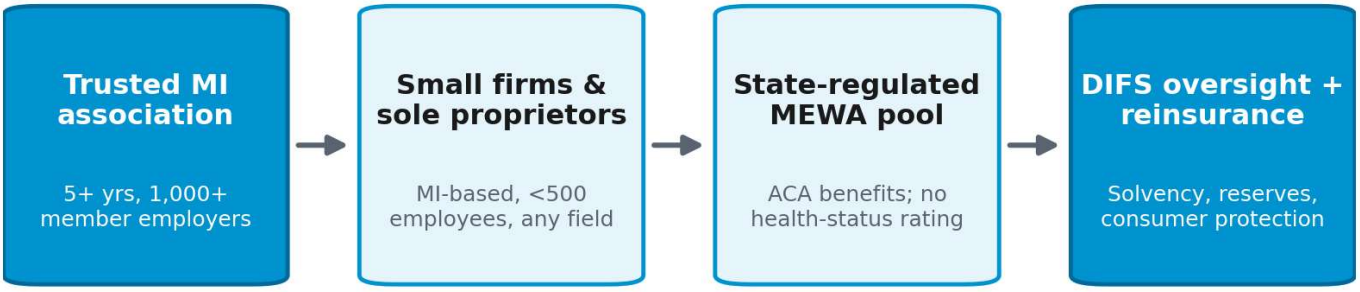
The squeeze on employers is getting worse every year. After holding at nearly one percent a year for much of the last decade, average annual premium increases for Michigan employers jumped to 8.6% between 2022 and 2025, with many small groups absorbing increases of 25-30%.

A solution: pooled, state-regulated coverage through trusted associations

At the root of the issue for small businesses is a lack of choice. Large employers often have enough employees to form their own insurance risk pools, allowing them to design their own benefits, run health and wellness initiatives to manage utilization and lower costs, and negotiate with their purchasing power. Most small businesses are nowhere near large enough to build a pool of their own, so they are forced to buy coverage "off the rack" where they are exposed to more volatility.

SB 1011 fixes this structural gap by allowing Michigan's small businesses and sole proprietors to band together across industries to form their own pooled coverage through a statewide association, structured as an association health plan or multiple employer welfare arrangement (MEWA). Pooling thousands of employees from across fields gives small employers the same risk pool, purchasing power, and benefit-design leverage that large employers already enjoy, while remaining fully regulated by the Department of Insurance and Financial Services (DIFS).

How a small business health pool works under SB 1011



SB 1011 modernizes Michigan's MEWA framework to permit pooling based on shared geography, rather than just allowed within a shared industry. A "bona fide" association with roots in the state can bring in their members to a pool regardless of industry. The bill opens a practical path for mid-sized firms caught in the "applicable large employer" bind, where they are required to offer federally compliant coverage yet pay small-group prices with large-group administrative burdens.

Strong safeguards remain in place

Affordability does not come at the expense of protection. Under SB 1011, every pool must:

- **Cover all ACA essential health benefits** – including mental-health parity, maternity, preventive services, and dependent-coverage standards equivalent to ACA-compliant small group plans.
- **Admit members and rate only on neutral factors** – such as industry, geography, age, and family size – never health status or claims history.
- **Be licensed, examined, and audited by DIFS** – with reserve and solvency requirements, audited by annual financials, and receivership authority to protect enrollees.
- **Meet standards for "bona-fide" associations** – must be established for 5 years with a substantial business purpose and must meet membership standards.
- **Protect sole proprietors with viability tests** – eligibility is limited to established sole proprietors with 2+ years operating, positive net income, and a working business owner.