



Health Benefit Strategies for Businesses

- > Practical Guide for Offering Benefits
- > Pros & Cons of Each Path
- > Determining Best Approach

Introduction

Choosing a health benefits strategy is one of the most consequential decisions a business owner makes. The right approach can help you attract top talent, boost retention, and demonstrate your commitment to your team's wellbeing. Given constraints, uncertainties and costs around offering health benefits, it's no wonder that 50-60% of small and growing businesses don't offer health insurance at all. Offering the wrong plans can strain your budget, create administrative headaches, and leave employees frustrated.

Only 50-60% of businesses with 10-199 employees offer health benefits.

Bureau of Labor Statistics

After years of working with businesses across the country, we've learned that there's no one-size-fits-all approach to employee health benefits. Every company has unique needs shaped by its size, budget, workforce composition, and long-term goals. What works brilliantly for a 15-person marketing agency in Austin may not suit a 50+ person manufacturing operation in Ohio.

This guide is built on that understanding. We've distilled our experience from serving thousands of businesses to give you the clarity you need to make an informed decision that aligns with your specific situation. The landscape is noisy and confusing, filled with complex options and competing advice. The cost of a poor decision, in both time and money, is a burden most businesses cannot afford, especially those without a dedicated HR or operations administrator. Our goal is to cut through that noise and distill what's most important to consider.

It's also worth noting that the healthcare landscape continues to evolve. Regulatory changes, market shifts, and new models emerge regularly. Learn more about the evolving market and its impact on small and growing businesses in this informative post: [Small Business Health Insurance: Key Market Trends and Impacts](#).

What You'll Find in This Guide

- Six distinct benefit strategies (from full coverage to offering no benefits) with honest pros and cons for each.
- Guidance on which approach fits different business profiles based on our real-world experience
- Practical next steps for evaluating and implementing your chosen strategy, including a comparison between PEOs, brokers, and solution providers like Meridio.

Health Benefit Strategies

Below, we break down six distinct paths businesses typically take. Each has legitimate use cases depending on your circumstances. We've ordered them to represent a logical progression, from the most comprehensive and costly options to the most basic, allowing you to see how your strategy can evolve over time.

Path 1: Full Traditional Group Coverage

Traditional group health insurance remains the gold standard in many employees' minds. Under this model, your company selects and sponsors a group health plan from a major carrier, such as Blue Cross Blue Shield or Cigna, covering a significant portion of premiums for employees and often their dependents.

About 30% of a business's annual budget typically accounts for employee health premium contributions.

Bureau of Labor Statistics

This approach signals a deep investment in your team and provides the comprehensive coverage most workers are familiar with. It is often the first option established companies consider when they are ready to compete for top-tier talent.

Pros

- Strong recruiting and retention tool
- Comprehensive coverage employees understand
- Tax advantages for employer and employees
- Establishes credibility with your team that your investing deeply in their employment

Cons

- Highest cost option for most businesses
- Premium increases are unpredictable year-over-year
- Higher administrative complexity and compliance burden
- Less flexibility—employees must use chosen plan

Ideal For:

Established businesses with 25+ employees, stable revenue, and the administrative capacity to manage group plans. Ideal when competing for talent against larger companies in your industry.

Path 2: Essential/Entry-Level Coverage

For many growing businesses, the leap to a full traditional plan is too great. An intermediate strategy is to offer an “essential” or “core” benefits plan. These plans focus on providing meaningful coverage for common healthcare needs—like preventative care, urgent care visits, and prescriptions—without the high price tag of a major medical plan. This approach allows you to offer a valuable, tangible benefit that supports employee health and demonstrates you care, while keeping costs manageable.

At Meridio, we often hear that offering a core health plan is the ideal first step for many small and growing businesses, as it shows their employees that they are invested in them despite not being able to afford a traditional plan at that time. Offering these plans makes a huge difference in a business’s ability to hire and attract talent.

Pros

- Affordable entry point into offering benefits
- Demonstrates commitment to employee wellbeing
- Tangible benefit for everyday health needs
- Excellent stepping stone to more robust plans

Cons

- Not as comprehensive as major medical
- May not satisfy employees with significant health needs
- Requires clear communication on what is covered and what is not
- Perceived value depends on employee education

Ideal For:

Budget-conscious businesses (10–50 employees) that want to offer a meaningful health benefit for the first time. Highly effective for improving recruitment and retention without committing to the high, unpredictable costs of traditional insurance.

Meridio Customer Snapshot

Essential Coverage Success:

A 12-person creative agency in Florida wanted to offer benefits for the first time but couldn’t afford a traditional group plan. They implemented a Meridio core plan covering preventative care and basic services. The new benefit was a key factor in hiring two senior roles and has become a cornerstone of their company culture.

Path 3: Voluntary or Minimal Benefits

Moving down the cost spectrum, some employers provide access to group health plans without contributing to premiums, or by contributing a very small fixed amount. Employees pay all or most of the cost but still benefit from group rates and the convenience of payroll deduction. This is often called an “access-only” or “voluntary” benefits strategy.

Under this approach, businesses have access to a low-cost way to make quality coverage accessible, even if you can’t yet fund it.

Pros

- Lowest cost option while still offering coverage
- Employees still get group rates and payroll deduction
- Demonstrates commitment to employee wellbeing
- Easy to upgrade contributions as budget allows

Cons

- Lower perceived value than contributed benefits
- May not significantly improve recruiting
- Some employees won’t enroll due to cost
- Risk of adverse selection in the plan

Ideal For:

Startups and early-stage companies with tight budgets, businesses in industries where benefits are uncommon, or companies building toward full contributions over time.

Worth Noting:

Over the course of 2025 there was no shortage of conversation around the expiring ACA tax subsidies and the impact it would have on businesses who relied on those subsidies for their employees. For businesses most affected by the change their employees saw premiums not just increase, but in some cases triple, leaving many employees to forgo health coverage altogether. Read more about the impact expired subsidies have on business teams in this blog, [Navigating Your 2026 Health Benefits Strategy Amongst ACA Marketplace Uncertainty](#).

Path 4: High-Deductible Health Plan (HDHP) with HSA

This strategy pairs a qualified high-deductible health plan with a Health Savings Account (HSA). The HDHP features lower monthly premiums than traditional plans but requires higher out-of-pocket spending from the employee before the insurance kicks in. To offset this, the HSA allows employees to set aside pre-tax dollars to cover those costs, creating a powerful, tax-advantaged savings vehicle that they own and can take with them.

Pros

- Lower premiums than traditional plans
- Triple tax advantage for employees
- HSA funds are portable—employees keep them
- Encourages cost-conscious healthcare decisions

Cons

- Higher deductibles can deter some employees
- May not appeal to workers with ongoing health needs
- Requires employee education to maximize value
- Annual HSA contribution limits apply

Ideal For:

Growing businesses with generally healthy, younger workforces. Particularly effective for companies that want to offer meaningful benefits while maintaining budget predictability, or those with employees who value savings vehicles.

Worth Noting:

While higher-deductible health plans often have lower monthly premiums, there are increased upfront costs if care is needed. In 2026, participants will need to pay at least \$1,700 out of pocket before the insurance starts to pay for most services, or \$3,400 for a family. In many cases, the deductible limits are much higher than those minimums.

HSAs can be an attractive option because they offer a triple tax advantage: contributions are tax-deductible, growth is tax-free, and qualified withdrawals are tax-free.

Path 5: Health Reimbursement Arrangements (HRAs)

HRAs represent a flexible, tax-advantaged alternative to traditional group coverage. Instead of purchasing a group plan, your company provides employees with a set monthly allowance to purchase their own individual health insurance and cover medical expenses. This gives employees maximum choice while keeping your budget perfectly predictable. Two main HRA types serve small and growing businesses:

- **ICHRA (Individual Coverage HRA):** Available to any size business. Allows different allowance amounts for different employee classes (full-time, part-time, families, etc.). Replaces group coverage entirely.
- **QSEHRA (Qualified Small Employer HRA):** Designed specifically for businesses with fewer than 50 employees. Simpler structure with annual contribution limits. Must be offered on the same terms to all eligible employees.

Pros

- Completely predictable monthly costs
- Maximum employee choice in plan selection
- No minimum participation requirements
- Scales easily as you add employees

Cons

- Employees must navigate individual market
- May require more employee education
- Annual contribution limits for QSEHRA
- A more burdensome administration experience for employers

Ideal For:

Businesses with diverse workforces across multiple states, companies wanting budget certainty without sacrificing coverage quality, or those with employees who want personalized plan choices.

Meridio Customer Snapshot

ICHRA Path:

A 28-person staffing agency in Texas came to Meridio struggling with unpredictable premium increases and administrative burden from their PEO. They transitioned to a flexible ICHRA-based approach with Meridio's support, gaining budget predictability while giving employees more choice. Eighteen months later, they've seen improved employee satisfaction with benefits and saved over 15 hours monthly in administrative time—time their ops team now spends on growth initiatives instead of benefits paperwork.

Path 6: Not Offering Benefits

Finally, some businesses choose not to offer health benefits at all. This is a legitimate option for companies under 50 employees, who aren't subject to ACA employer mandate penalties. However, this choice carries significant trade-offs in today's competitive labor market and should be weighed carefully against your hiring and retention goals.

Pros

- No administrative burden or costs
- Simplicity in operations
- May work for very small or specialized teams
- Can offset with higher wages

Cons

- Significant competitive disadvantage in hiring
- Limits your talent pool substantially
- May signal lack of investment in employees
- Harder to retain as employees' needs change

Ideal For:

Very small businesses (under 10 employees) with primarily 1099 contractors, companies in industries with transient workforces, or businesses where employees have coverage through other sources (spouse's plan, etc.).

Health Benefits Strategies: Final Thoughts

Each of the six paths outlined serves different business needs. The 'right' choice depends on your budget, workforce, competitive landscape, and long-term goals. What matters most is aligning your benefits strategy with your overall business strategy.

Furthermore, this is not a one-time decision. The strategy that works for you today may need to evolve as your company grows, hires different types of employees (e.g., full-time vs. part-time), or as your financial picture changes. Your partner should help you execute your chosen strategy and also help you identify the key triggers for when it's time to adapt.

The good news is, there are health benefit advisors that can help guide you on evaluating the ideal path for your business and also help you identify the key triggers when it's time to adapt. In addition, depending on your internal resources and priorities, can help you execute your chosen strategy with the help and support needed to enable you to meet your goals and not distract from your everyday business.

Validating and Implementing Your Strategy

Identifying the Right Benefits Partner

Once you've identified the ideal benefits strategy for your business, the next question becomes: who can help you validate and execute that strategy? The partner you choose can make the difference between a smooth, effective benefits program and an ongoing administrative nightmare.

There are three main types of partners businesses work with, each having strengths and trade-offs worth considering. Here we'll discuss Brokers, PEOs (Professional Employer Organizations), and solution providers like Meridio.

→ Traditional Brokers

Insurance brokers shop the market on your behalf, presenting options from multiple carriers. They earn commissions built into your premiums. Brokers can be valuable for navigating complex plan options, but, as the market has evolved, it is often not cost-effective for the broker to continue servicing small and growing business accounts once enrollment is finished—ongoing support varies widely.

- **Strengths:** Wide plan selection, market expertise, no direct fee to employer
- **Watch for:** Ongoing admin left to you, compliance support varies, primarily focused on W2 employees

→ PEOs (Professional Employer Organizations)

PEOs bundle HR services including benefits administration under a co-employment model. They can provide access to large-group rates and handle compliance, but you often give up significant control. PEOs work best for companies wanting to outsource HR entirely, but the trade-offs in flexibility and autonomy can be substantial.

- **Strengths:** Bundled HR services, potential access to better rates if qualify, compliance support
- **Watch for:** Co-employment complications, rigid systems, complex pricing, less control over your benefits program

→ Health Benefits Solutions Providers

A new category of benefit partners has emerged to fill the gap between traditional brokers and PEOs. These partners offer different levels of strategies and services as alternatives to brokers and PEOs whose models may not be ideal for your business.

- **Strengths:** Different plan options and contribution strategies, support for all worker types (W2, 1099, part-time), enrollment and ongoing benefits support services.
- **Watch for:** Some may have small carrier networks; nominal or varied support for enrollment and ongoing guidance.

Key Takeaways

Choosing the right health benefits strategy isn't just about checking a box, it's about making a strategic investment in your team and your company's future. Discerning the best strategy is not an easy endeavor, especially with the evolving landscape and constant noise in the market.

The approach you take must balance what is right for your business financially with the powerful signal it sends to current and prospective employees about the kind of company you are building.

Here's what we hope you take away from this guide:

- There are multiple legitimate paths to offering (or not offering) health benefits, and the right choice depends on your unique situation.
- The strategy you use today may work when you have 10 employees, but as your business grows, you may need to evolve. Short answer: build in flexibility to optimize with the ebbs and flows of your business over time.
- Your choice of partner matters as much as your choice of strategy. Look for transparency, support, and alignment with your needs.

How Meridio Can Help

If you're evaluating your benefits strategy or looking for a partner who can help you validate and execute it effectively, we would welcome the conversation. Meridio works with businesses across the country to deliver affordable, flexible benefits with the hands-on support that is critical to the success and execution of a health benefits strategy.

[Connect with our team for quick assessment](#)

About the Author



Bobby Sain | Co-Founder & CEO, Meridio

Bobby has spent the past decade working at the intersection of innovation and healthcare, focused on expanding access to quality benefits for small and growing businesses. Before founding Meridio, he led Waitron and saw firsthand the challenges owners face navigating the benefits landscape.

About Meridio

Meridio helps match businesses with affordable health benefit plans, combining full-service guidance and management with transparent pricing to make offering the right healthcare coverage simple.

Learn more: www.getmeridio.com | Contact: [1-212-634-9389](tel:1-212-634-9389)