

5 Ways You Can Lower Your Company's Healthcare Costs in 2026

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Key Takeaways

- Small business owners are facing rapidly rising healthcare costs and need creative strategies to stay competitive without breaking the bank.
- Navigating healthcare options is more complex than ever, and understanding the system can make a major difference for both employers and employees.

According to a recent study from Aon, the average employer health insurance cost is expected to surpass \$17,000 per employee in 2026, a 9.5% jump from 2025.

There's no debate that healthcare costs are dramatically increasing. And yet, as small business owners, you and I need to provide some sort of healthcare benefit in order to remain competitive with our larger competitors so that we can attract and retain the best talent possible. How to do this? Here are five strategies.

Related: [Employee Benefit Costs Are Increasing. It's Time for Employers to Fight Back.](#)

1. Level-funded plans

Self-insuring was once only a choice for the largest of companies. But newer arrangements are beginning to filter down to small and mid-sized businesses. One of these options is a level-funded (or benefit) plan. Simply stated, this type of plan means your business funds the cost of health insurance at the lowest level – out-of-pocket costs, doctor's visits, routine treatments – up to a certain amount, and then a stop-loss plan kicks in to cover any catastrophic costs like surgery or expensive treatments.

These plans are on the rise. Another report from Kaiser Family Foundation indicated that among small employers, the share of offering level-funded plans jumped from about 13% in 2020 to roughly 40% in 2023. The reason why is that many business owners have realized that not all of their employees – particularly younger or healthier workers – are fully using the group insurance plans they're helping to pay. With a plan like this, you're only paying for when healthcare is needed. These plans do come with risks, such as the potential for unpredictable claims, continued renewals from insurance companies and administrative complexity. But administered properly, they can go a long way towards better controlling healthcare costs.

2. Health Reimbursement Arrangements (HRAs)

These types of plans come in various forms, like a Qualified Small Employer HRA (QSEHRA) or the Individual Coverage HRA (ICHRA). You can have an HRA in addition to or instead of your existing healthcare plans. With an HRA, you're contributing money (that is not taxed) to your employees' accounts and basically telling them to use these funds to buy their own healthcare. They can go to the healthcare exchanges or to a

list of brokers that you provide. Your business also gets a tax deduction for this contribution.

Employers like these plans because they give them more control over their costs (you contribute what you can afford, rather than what the health insurance company is demanding), reduce your administrative time (these plans are generally administered by an outside party) and take you out of the healthcare conversation, where you risk potential liabilities over privacy concerns. HRA plans have been very popular. A recent report found that ICHRA adoption alone grew approximately 29% from 2023 to 2024.

3. Health Savings Accounts (HSA)

If you already have a high deductible plan, you can stick with it – or even increase the deductible to make it more affordable – but couple it with an HSA. Assets in HSA plans have reached nearly \$147 billion across over 39 million accounts at the end of 2024.

With an HSA, employees can contribute up to \$4,400 (\$8,750 for families) in 2026 of their pre-tax income, thereby lowering their tax liabilities. Then they can take the money out to use for unreimbursed healthcare costs, including doctors' visits, fertility treatments and physical therapy. Amounts can be invested with various options and also grow tax-free. Distributions are also not taxed, and there's no minimum distribution requirement like a retirement plan.

Different than a "use-it-or-lose-it" plan – balances rollover every year, and if an employee leaves your company, they can take their HSA money with them. HSAs are like a 401(K) retirement plan for your healthcare. Used the right way, these accounts can build up a significant nest egg with funds that would be used in the future for healthcare expenses at a time when they're needed the most.

Related: 90% of Execs Say Providing Employee Health Benefits Will Be Unsustainable By 2030 – Here's One Solution Businesses Need to Consider

4. SHOP

I don't mean shop around. I mean SHOP – the Small Business Health Options Program. If your business qualifies (generally you have less than 50 full time employees, offer healthcare and dental care, contribute to your employees plan and have a minimum participation rate, among other rules), then you can get access to healthcare plans on a special marketplace setup on your state's (or the federal) healthcare exchange with potentially more competitive rates than what you're getting elsewhere. There are also tax credits available for certain eligible small businesses. More information about the SHOP exchange is [here](#).

5. Education

Level Funded Plans. Captive Programs. Deductibles. In-network. Out of network. Concierge medical services. Out-of-pocket expenses. Co-payment. Co-insurance. Benefit advisors. Insurance brokers. Healthcare consultants. ACA. HMO. PPO. EPO. POS. HDHP. HSA. FSA. HRA. EOB. COBRA. SHOP. Single Coverage. Dependent Coverage. Premium tax credits.

Do you truly understand all of this? If you do, good for you. But you're in the minority. Most business owners I know (myself included) find it very challenging to get our arms around all the complexities (and craziness) of the American healthcare system. Our employees are no different, which is why we all need continuous education. Some of my smarter clients partner with competent benefit advisors and require them to come in quarterly – yes, quarterly, not just at renewal time- to discuss healthcare options and strategies with their employees.

Why? Because the more people know, the better decisions they make. Maybe some can go on Medicare. Or others will find it more cost-effective to get their insurance from a healthcare exchange. At the very least, they'll be able to be smarter about their healthcare choices and options. These decisions can ultimately lower their healthcare costs. And perhaps yours too.

Yes, healthcare costs are increasing, and there's no silver bullet for saving money on healthcare. It's usually by doing a number of things. But implementing some of the above strategies will absolutely help.

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