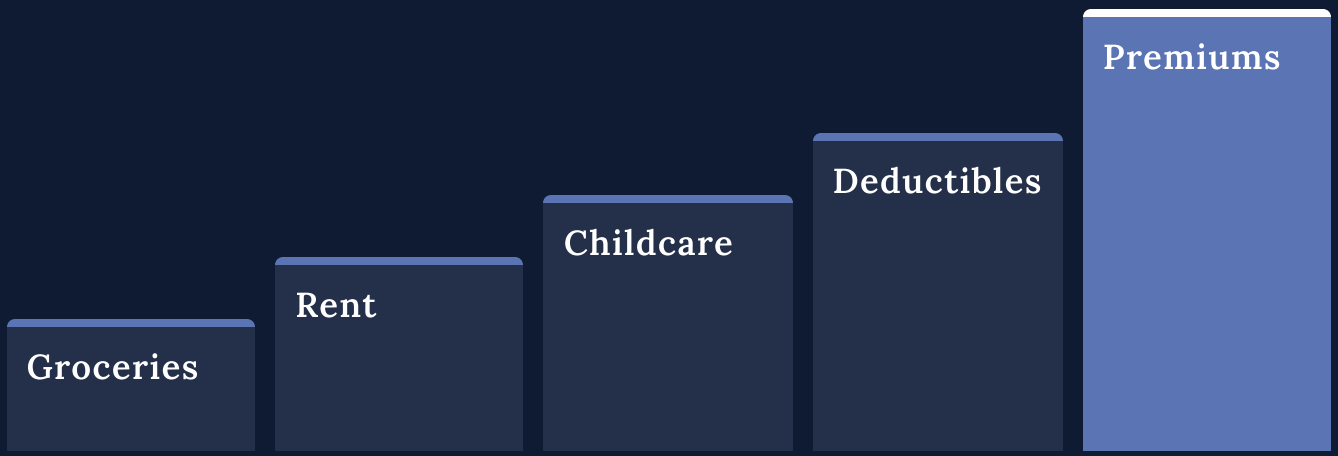
Herrera
HR GROWTH PARTNERS

FOUNDER FIELD GUIDE

BENEFITS IN A HIGH-COST YEAR

Costs are up for you and your team. *Your benefits can stretch further.*

How growing companies can support employees through rising costs without cutting benefits or breaking the budget.



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A NOTE BEFORE YOU START

When renewal comes in high, the easy move is to pass the increase on to employees. It's also the move most likely to backfire.

Your team is feeling the same pressure you are. Rent, childcare and groceries cost more, many people carry student loans, and a high-deductible plan can turn one doctor's visit into a financial emergency. When benefits get more expensive or harder to use, people skip care, stop saving, and start looking at offers from companies that seem to take better care of them.

The good news: smaller companies have more options than they think. Smarter plan design, a different contribution approach and a few tax-advantaged benefits can make a real difference to employees at a modest cost.

Peter Herrera

Founder, Herrera HR Growth Partners

SECTION 01

The squeeze, by the numbers

Employers and employees are both absorbing higher costs, and the pressure is building.

8.2%

Projected average increase in employer health benefit costs per employee for 2027, the largest jump since 2003. Without changes, employers expect closer to 11%.

Mercer, preliminary 2026 survey, Sept. 2026

$26,993

Average annual premium for employer family coverage in 2025, up 6% in a year. Workers paid $6,850 of it on average.

KFF Employer Health Benefits Survey, 2025

$2,631

Average single-coverage deductible at firms with 10 to 199 workers, compared with $1,670 at larger firms.

KFF Employer Health Benefits Survey, 2025

37%

Share of U.S. adults who could *not* cover an unexpected $400 expense using cash or its equivalent.

Federal Reserve, Economic Well-Being of U.S. Households in 2025

Why it matters to a growing company

- **Skipped care costs more later.** People with high deductibles and no savings delay care until it becomes a bigger, more expensive claim.
- **Financial stress shows up at work.** It affects focus, attendance and health.
- **Benefits drive retention.** Small companies compete for talent against larger employers with richer plans.
- **Cost-shifting has limits.** Each increase in employee contributions lowers take-home pay, and lower-paid employees feel it most.

Treat renewal as a strategy decision

For most growing companies, benefits are the largest people cost after pay. The renewal deserves the same attention as a pricing or hiring decision, not a quick signature on whatever the carrier sends.

SECTION 02

Who feels it most

Rising costs don’t hit everyone the same way. These four groups are often under the most pressure, and each has practical, affordable ways to help.

GROUP 1

Employees on high-deductible plans

Lower premiums, but a large bill can land before coverage kicks in. Many never fund the health savings account (HSA) that comes with the plan.

What helps: employer HSA contributions, even small ones; pre-deductible telehealth and preventive care; clear guidance on what the plan covers.

GROUP 2

Employees with student loans

With federal collections back in force, many borrowers face higher payments and credit damage if they fall behind, which makes saving for retirement feel out of reach.

What helps: tax-free student loan repayment through an educational assistance plan; 401(k) matching on student loan payments.

GROUP 3

Renters and others with high housing costs

When rent takes 30% or more of income, there’s little left for savings. That makes them more vulnerable to any surprise expense.

What helps: payroll-linked emergency savings, financial counseling through an EAP, fair pay reviews, and flexible or remote work that cuts commuting costs.

GROUP 4

Caregivers

Childcare costs have risen faster than overall inflation for years, and many employees also support aging parents.

What helps: a dependent care FSA (now up to $7,500 a year), flexible schedules, backup care options and clear paid leave policies.

Ask before you assume

A short, anonymous survey before renewal tells you which of these pressures your team actually faces. A 25-person engineering team and a 25-person restaurant team need very different benefits.

SECTION 03

Before you shift costs

Raising employee contributions is one option, not the only one. Work through these first, with your broker.

LEVER	WHAT IT INVOLVES	TRADE-OFFS
Market the renewal	Have your broker get competing quotes, and ask how they are paid	Switching carriers can mean network changes for employees
Plan design choices	Offer a good HSA-qualified plan alongside a richer plan, rather than one plan for everyone	More choice means more education is needed at enrollment
Pay-based contributions	Employees in lower pay bands pay a smaller share of the premium	Needs clear communication and careful setup to meet nondiscrimination rules
Different funding models	Level-funded plans, or an ICHRA or QSEHRA that gives employees a tax-free allowance for individual coverage	Level funding carries more claims risk; ICHRAs and QSEHRAs depend on your local individual market
Pharmacy strategy	Review coverage for high-cost drugs, including GLP-1 weight-loss medications, and your pharmacy benefit terms	Coverage changes affect real people; give notice and explain alternatives
Use lower-cost care	Telehealth, direct primary care and centers of excellence for major procedures	Only saves money if employees know about them and use them
Clean up eligibility	Audit who is enrolled, including dependents	Handle it respectfully, with plenty of notice

If you do raise contributions

Explain why, show what the company is still paying, and pair the change with something that helps, like an HSA contribution or a new low-cost benefit. People accept hard news better when they understand it and see you meeting them partway.

Compliance checks before you change anything

- **Affordability:** with 50+ full-time equivalents, the cheapest employee-only option must stay under the ACA affordability percentage (9.96% of income for 2026) to avoid penalties.
- **Notices:** employees get a Summary of Benefits and Coverage at enrollment, and 60 days' notice of material mid-year changes.
- **Plan documents:** pre-tax contributions need a written cafeteria (Section 125) plan.

SECTION 04

High-value, low-cost benefits

Several benefits stretch employees' paychecks through tax savings, often at little or no cost to you. Recent law changes made some of them more generous.

BENEFIT	HOW IT HELPS	KEY DETAILS
HSA with employer contributions	Tax-free money for medical costs that employees keep, even if they leave	2026 limits: $4,400 self, $8,750 family. 2027: $4,500 and $9,000. Pre-deductible telehealth is now permanently allowed.
Dependent care FSA	Pre-tax dollars for childcare, day camps and adult day care	Limit rose to $7,500 a year starting in 2026. Your plan document must be updated to offer the higher limit.
Student loan repayment	Up to $5,250 a year in tax-free help through an educational assistance plan	Now a permanent part of the tax code. Requires a written plan.
401(k) match on student loan payments	Employees paying loans still earn a retirement match	Allowed under SECURE 2.0. Check with your 401(k) provider.
Emergency savings	A cushion that keeps small shocks from becoming debt or 401(k) withdrawals	Options include payroll-linked savings accounts and SECURE 2.0 emergency savings accounts within a 401(k), capped at $2,500.
Employee assistance program	Confidential counseling, including financial and legal help	Often included with your disability or life insurance; check before buying separately.
Direct primary care	Unlimited primary care for a flat monthly fee	Starting in 2026, HSA funds can pay DPC fees up to $150 a month for individuals or $300 for families.
Earned wage access	Access to pay already earned before payday	Compare fees and how the tool encourages saving; state rules vary.
Flexibility	Remote days, flexible schedules or compressed weeks reduce commuting and care costs	No direct cost, but it needs clear policies and fair access across roles.

Where to start

If you're choosing only two: add a dependent care FSA, which costs little to administer and saves caregivers real money, and seed every HSA with a modest employer contribution. Both are simple to explain and show up in people's budgets right away.

Basic, competitive or standout?

A quick way to see where your package sits, and where a small change would get noticed. You don't need to be standout everywhere; pick the one or two areas your people care about most.

AREA	BASIC	COMPETITIVE	STANDOUT
Health	Medical, dental and vision	Plan choice, HSA with employer money, telehealth, an EAP	Strong mental health coverage, family-forming or menopause support, low out-of-pocket costs
Time off	Required paid leave plus a few holidays	Three or more weeks of PTO, 10 or more holidays, bereavement leave	Paid parental leave, sabbaticals, a company-wide week off, leaders who visibly take time off
Retirement	Access to a 401(k)	A meaningful match, automatic enrollment	A generous match, financial coaching, equity for broader roles
Flexibility	Manager discretion on schedules	Hybrid options, flexible hours, a written policy	Compressed weeks, home-office stipends, remote-first roles
Growth	Regular feedback and on-the-job training	A learning budget and mentoring	Tuition help, dedicated learning time, internal career paths
Life	A few perks	Commuter or wellness benefits, volunteer time	Donation matching, caregiver support, perks people helped choose

Show benefits up front

Candidates want to know what you offer before they apply. Summarize benefits in job posts and offers, with dollar values where you can. Several states, including Illinois, now require a general benefits description alongside pay ranges in job postings.

Unlimited PTO isn't always a perk

Without a culture of actually taking time off, people often take less. If you offer it, set a recommended minimum, have leaders model it, and check your state's rules on paid leave and payout.

SECTION 05

Get people to use them

A benefit nobody understands is a cost with no return. Most employees decide in a few minutes at open enrollment and don't think about benefits again until something goes wrong.

AT ENROLLMENT

- Explain each plan in plain language, with real examples: "If you have a baby, here's what you'd pay on each plan"
- Show the company's contribution in dollars, not just percentages
- Offer a short live session plus a recording, and one-on-one help
- Translate materials when your team needs it
- Set defaults that help, like automatic 401(k) enrollment

ALL YEAR

- Send short reminders tied to real moments: tax season, back-to-school, the holidays
- Give managers a one-page benefits overview so they can point people in the right direction
- Share a yearly total rewards statement showing the full value of pay and benefits
- Make sure new hires know their enrollment deadline
- Remind people about life events that open special enrollment

What to measure

MEASURE	WHAT IT TELLS YOU
Enrollment by plan	Whether people are choosing plans that fit them, or defaulting to the cheapest premium
HSA and FSA participation	Whether employees understand and can afford to use tax-advantaged accounts
401(k) participation and loans	Retirement readiness, and whether people are borrowing to cover emergencies
EAP use	Whether people know the support exists
Survey and exit feedback	How much benefits factor into decisions to stay or leave

A PLAIN-LANGUAGE EXAMPLE

"Our health plan costs went up this year. The company is absorbing most of the increase. Your paycheck contribution goes up $12 a month on the Standard plan, and we're adding $500 a year to every HSA. Here's how to decide which plan fits you."

SECTION 06

A 90-day benefits review

Start at least 90 to 120 days before your renewal date. Waiting for the renewal notice leaves too little time to compare options.

Days 1–30: Learn

- Gather plan documents, past renewals and claims data, if available
- Survey employees on what they value and what's hard
- Benchmark against similar companies in your area
- Confirm compliance basics: ACA, COBRA, required notices

Days 31–60: Compare

- Have your broker market the renewal
- Model contribution strategies, including pay-based options
- Price the low-cost benefits from Section 04
- Set a total budget and priorities

Days 61–90: Decide and share

- Finalize plans and contributions
- Update plan documents and payroll setup
- Build enrollment materials and train managers
- Announce changes with the reasoning behind them

Questions to ask your broker

- [ ] How are you paid on our account, and does that change if we switch carriers or funding models?
- [ ] What's driving our renewal: our own claims, our region, or the overall market?
- [ ] Would a level-funded plan or an ICHRA make sense at our size and in our area?
- [ ] How would pay-based contributions work for us, and what are the compliance considerations?
- [ ] Which low-cost benefits could you add without increasing our premium?
- [ ] What support do you provide at open enrollment and during the year?

Annual notices to keep on your calendar

Summary of Benefits and Coverage at enrollment, the Medicare Part D creditable coverage notice before October 15, the CHIP notice each year, and COBRA notices when coverage ends. Your broker or payroll provider may handle some of these. Confirm who does what.

SECTION 07

How I help

I’m not a broker and I don’t sell insurance. On a monthly retainer, I work on your side of the table, year-round, to make sure your benefits fit your people, your budget and your growth plans.

- Run the 90-day review and employee survey
- Prepare you for broker conversations and compare options
- Design contribution strategies and benefit add-ons
- Check compliance: notices, plan documents, COBRA, ACA
- Build enrollment communications and train managers
- Connect benefits to your total pay and retention strategy

20+ years of HR leadership	**4 industries** financial services, healthcare, hospitality and tech	**2 companies** where I built HR from scratch	**1 to 250** employees: the companies I serve



ABOUT PETER HERRERA

I’ve spent more than 20 years leading HR in financial services, healthcare, hospitality and tech. I was the first HR leader at a five-venue hospitality group, and later built the HR function at a tech company. I started Herrera HR Growth Partners to give founders senior HR partnership without a full-time hire. I’m based in Chicago and work with growing companies across the U.S.

SOURCES

1. Mercer, “Employers expect health benefit costs to jump in 2027,” preliminary results of the National Survey of Employer-Sponsored Health Plans, Sept. 2026.
2. KFF, 2025 Employer Health Benefits Survey, Oct. 2025.
3. Board of Governors of the Federal Reserve System, Economic Well-Being of U.S. Households in 2025, May 2026.
4. IRS 2026 and 2027 HSA limits; One Big Beautiful Bill Act (2025) changes to dependent care FSAs, educational assistance, HSAs and direct primary care; SECURE 2.0 Act of 2022.

YOUR NEXT STEP

Renewal coming up? *Let's look before you sign.*

Bring your current plan summary and renewal notice to a free intro call. We'll look for ways to protect your people and your budget.

FREE 20-MINUTE INTRO CALL

What you'll leave with

- A plain-language read on your renewal and what's driving it
- Two or three options to consider before raising employee costs
- A short list of low-cost benefits that fit your team, and how a monthly retainer would cover renewals every year

No pitch deck, no obligation. If you don't need me, I'll tell you.

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