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Is It Getting Harder to Keep Growing Your Business?

By Joseph W Tucciarone, CEO National Network of Accountants

Many business owners enter each year with solid revenue expectations, yet still struggle to improve profitability or plan confidently for growth. Increasingly, the challenge is not sales — it is **cost control**, particularly in areas that feel unavoidable.

One category continues to stand out: **employee benefits and commercial insurance**.

For most businesses today, insurance and benefits have quietly become the **third-largest operating expense**, trailing only payroll and occupancy costs. This shift has important implications for planning, tax efficiency, and long-term business strategy — areas where CPAs play a critical advisory role.

The Insurance Cost Pressure Facing Business Clients

Healthcare and commercial insurance costs have reached what many describe as a **tipping point**.

Employers are often spending **$15,000 or more per employee per year** on a combination of single and family health insurance coverage. At the same time, property and casualty premiums continue to increase, coverage terms are tightening, and some carriers are withdrawing from entire markets.

These rising costs ripple through every part of a business:

- Hiring and retention decisions become constrained
- Wage increases are delayed or reduced
- Cash-flow planning becomes less predictable
- Benefit offerings are scaled back despite higher spend

What makes this especially problematic is that, despite higher employer costs, many employees still delay care due to deductibles and out-of-pocket expenses. The result is dissatisfaction on both sides of the balance sheet.

Why This Matters for CPAs

Historically, many clients have viewed insurance as a fixed cost — something to shop annually, but rarely to **strategically design**. However, larger and more sophisticated companies have taken a different approach by integrating alternative risk-financing and tax-efficient benefit strategies into their overall planning.

These strategies are not new, experimental, or aggressive. They are **legally established**, widely used, and increasingly relevant to mid-market businesses.

For CPAs, this creates an opportunity to elevate conversations from expense management to **strategic planning**.

Two Planning Tools Worth Re-Examining

1. Cafeteria Plans (IRC Section 125)
Cafeteria Plans allow employees to pay for eligible benefits with **pre-tax dollars**, reducing both employee and employer **FICA taxes** on compensation that is already being spent.

Key planning advantages include:

- Increased employee take-home pay without raising wages
- Reduced employer payroll tax liability
- Improved benefit affordability
- Straightforward implementation and compliance

For many clients, this represents a relatively simple way to improve cash flow and employee satisfaction simultaneously.

2. Captive Insurance Programs
A Captive Insurance Company allows a business to insure certain risks through an insurance entity it owns or participates in. Instead of transferring all premiums to third-party carriers, the business retains underwriting profits and builds reserves over time.

When claims are lower than expected, **unused premiums may be returned to the business, along with investment income**, subject to proper structuring and regulatory compliance. Captives can improve:

- Cost predictability
- Transparency in risk financing
- Long-term capital efficiency
- Alignment between risk management and financial planning

For appropriately sized and structured businesses, captives can transform insurance from a recurring expense into a **strategic financial asset**.

The Power of Integration

Individually, Cafeteria Plans and Captive Insurance programs can add value. When integrated thoughtfully, they allow businesses to:

- Reduce unnecessary tax leakage
- Stabilize insurance-related cash flows
- Improve employee benefit outcomes
- Enhance long-term planning certainty

From a CPA's perspective, this integration supports more informed forecasting, better client decision-making, and deeper advisory relationships.

Looking Ahead to 2026

Inflationary pressure, insurance market volatility, and workforce competition are not short-term disruptions — they are structural challenges that will persist. Businesses that continue to treat insurance and benefits as static costs may find growth increasingly difficult.

Those that adapt — with guidance from their CPA and other qualified professionals — can position themselves for greater stability and resilience.

2026 can be a turning point for many clients.
By revisiting how insurance and benefits are structured, CPAs can help clients regain control, improve outcomes, and plan with confidence.

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