

BUYER'S GUIDE

How to Choose a PEO

A plain-English guide to what a PEO does, how pricing works, and the exact questions to ask before you sign.

SPIRIT HR · RESOURCE GUIDE

What a PEO actually does

A Professional Employer Organization (PEO) becomes your co-employer for administrative purposes, so you can hand off the back-office weight of employment and focus on running your business.

A full-service PEO typically consolidates five things that most growing companies otherwise buy from separate vendors:

- **Payroll & tax** — processing, filings, W-2s, garnishments, time and attendance.
- **Employee benefits** — access to large-group health, dental, vision, life, and 401(k) plans.
- **Workers’ compensation** — coverage, claims management, and safety programs.
- **HR support & compliance** — a dedicated team, handbooks, onboarding, and guidance.
- **Technology** — one platform for you and your employees instead of five logins.

Signs you’re ready for a PEO

- ☐ HR, payroll, or benefits is eating hours that should go to running the business.
- ☐ You’re juggling multiple vendors that don’t talk to each other.
- ☐ You want to offer benefits that compete with larger employers.
- ☐ Compliance and changing employment law keep you up at night.
- ☐ You’re hiring, growing, or expanding into new states.

How PEO pricing works

Most PEOs price one of two ways. Understanding the difference protects you from surprises.

Model	How it works	Watch for
% of payroll	A percentage of gross wages.	Your fee rises every time you give a raise or bonus — even though the work doesn’t change.
Per employee, per month (PEPM)	A flat fee per employee.	More predictable; easier to budget as wages grow.

Ask what’s included. A low headline rate can hide add-on charges for tax filings, year-end forms, HR support, or the technology platform. Always compare the all-in cost.

12 questions to ask any PEO

- ☐ Are you **ESAC accredited** and IRS-certified (CPEO)?
- ☐ How is your pricing structured, and what's included vs. extra?
- ☐ Which insurance carriers back your health plans?
- ☐ Will I have a **dedicated, named service team** — or a ticket queue?
- ☐ What are your typical response times?
- ☐ How do you handle workers' comp claims and audits?
- ☐ What's your client retention rate?
- ☐ How do onboarding and implementation work, and how long do they take?
- ☐ What technology do employees and managers get?
- ☐ How do you keep me compliant as laws change?
- ☐ What happens to my rates at renewal?
- ☐ How do I leave if it isn't working, and what happens to my data?

Red flags

- Vague pricing or reluctance to show the all-in cost.
- No dedicated service contact.
- Pressure to sign before you've seen plan details.
- No recognized accreditation (ESAC / CPEO).
- A platform you can't try before committing.

Not sure where you stand?

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