

100 TACTICS

for Immediate Labor Savings

Finding Principled and Sustainable Ways to Reduce Costs

Because labor costs comprise 60% to 70% of operating budgets, few institutions can significantly impact costs without addressing labor. However, too many institutions have resorted to indiscriminate and often across-the-board labor cuts, which can hurt staff morale, disrupt work processes, and draw negative press. Moreover, labor cuts often backfire, as the scramble to repair self-inflicted damage causes costs to quickly rebound to previous levels.

Rather than enacting painful and ineffective cuts, institutions should pursue immediate savings through cost rebasing. Unlike labor cuts, this approach does not hinder work process or damage staff morale, so savings can be sustained over time.

This compendium offers 100 rebasing tactics across nine categories. Not every tactic is applicable for each institution because of unique logistical, cultural, or legal hurdles. So, to help executives evaluate and choose the tactics best suited for their institutions, each tactic is evaluated on three factors:

- Savings potential
- Employee tolerance
- Whether the tactic is outside the scope of most collective bargaining agreements (CBAs)

| Health Benefits | | Savings Potential | Employee Tolerance | Outside CBA |
|-----------------|--|-------------------|--------------------|-------------------------------------|
| 1 | Raise deductibles | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 2 | Raise out-of-pocket max | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 3 | Raise coinsurance/copays | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 4 | Switch copays to coinsurance | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 5 | Raise premiums | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 6 | Offer results-based discounts to offset premium increases | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 7 | Offer high-deductible plans | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 8 | Incentivize high-deductible plans | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 9 | Reduce the number of insurance plans | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 10 | Eliminate Cadillac plans | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 11 | Shift employees to private insurance exchanges | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 12 | Eliminate retiree health coverage | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 13 | Reduce retiree premium contributions | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 14 | Offer retiree coverage only through Medicare Supplement plans | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 15 | Offer insurance stipend instead of retiree health coverage | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 16 | Close retiree plans to new entrants | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 17 | Add surcharge for working spouses electing institutional health plan | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 18 | Incentivize spouses to leave health plan | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 19 | Offer only secondary spousal coverage | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 20 | Require working spouses to use their employers' health plan | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 21 | Incentivize employees to use spousal health benefits | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 22 | Raise premiums for dependent/family coverage | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 23 | Audit and remove ineligible dependents | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 24 | Limit health benefit eligibility based on employment status | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 25 | Mandate in-network pharmacy use | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 26 | Require mail-order pharmacy use | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 27 | Require generics for costly drugs | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 28 | Incent domestic utilization | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 29 | Reduce short-term disability benefits | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 30 | Reduce long-term disability benefits | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 31 | Reduce duration of paid extended sick leave/short-term disability | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 32 | Reduce duration of paid long-term disability | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 33 | Switch to shared-cost/employee-funded disability plan | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 34 | Add tobacco surcharge | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |

| Fringe Benefits | | Savings Potential | Employee Tolerance | Outside CBA |
|-----------------|---|-------------------|--------------------|-------------------------------------|
| 35 | Reduce PTO rollover | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 36 | End PTO rollover | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 37 | End PTO cash-out | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 38 | End PTO payout | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 39 | Reduce PTO payout max | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 40 | Reduce PTO accrual | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 41 | Require PTO draw-down | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 42 | Offer higher PTO accrual rates for lower pay | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 43 | Limit PTO/sick leave accrual for part-timers | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 44 | Reduce tuition reimbursement | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 45 | Shift to defined-contribution retirement plans for new hires | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 46 | Reduce employer contributions to retirement plan | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 47 | Reduce retirement contributions for employees with \$0 self contributions | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 48 | Match retirement contributions only once per year | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 49 | Introduce new-hire waiting period for retirement plan eligibility | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 50 | Limit income types eligible for retirement contributions | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |

| Benefits Vendor Management | | Savings Potential | Employee Tolerance | Outside CBA |
|----------------------------|---|-------------------|--------------------|-------------------------------------|
| 51 | Renegotiate vendor premiums | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 52 | Rebid vendor contracts | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 53 | Assess pharmacy benefit managers | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 54 | Assess TPA/network discounts | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 55 | Raise stop-loss deductibles | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 56 | Negotiate shared savings agreements with insurers | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |

| Employee Headcount | | Savings Potential | Employee Tolerance | Outside CBA |
|--------------------|--|-------------------|--------------------|-------------------------------------|
| 57 | Freeze hiring | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 58 | Create hold period for vacancies | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 59 | Enact targeted layoffs | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 60 | Consolidate management layers within departments | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 61 | Expand management oversight to like departments | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 62 | Allow temporary labor contracts to expire | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 63 | Outcounsel underperformers | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 64 | Incentivize early retirement | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 65 | Offer voluntary severance | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |

| Compensation | | Savings Potential | Employee Tolerance | Outside CBA |
|--------------|---|-------------------|--------------------|-------------------------------------|
| 66 | Freeze pay raises | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 67 | Reduce pay for senior-level leaders | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 68 | Tie manager incentives to enrollment targets | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 69 | Eliminate manager incentive pay | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 70 | Reduce staff merit pool | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 71 | End merit raises for underperformers | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 72 | Offer lump-sum bonuses rather than merit raises | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 73 | Delay annual pay raises | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 74 | Request online W-2s | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |

| Outsourcing | | Savings Potential | Employee Tolerance | Outside CBA |
|-------------|----------------------------------|-------------------|--------------------|--------------------------|
| 75 | Outsource units or departments | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 76 | Outsource processes or functions | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |

| Service Hours | | Savings Potential | Employee Tolerance | Outside CBA |
|---------------|--|-------------------|--------------------|-------------------------------------|
| 77 | Mandate management furloughs | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 78 | Mandate staff furloughs | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 79 | Offer voluntary prescribed unpaid leave days | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 80 | Offer voluntary seasonal flextime | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 81 | Offer voluntary reduced hours in exchange for lower base pay | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 82 | Move select employees to seasonal contracts | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 83 | Shorten service window hours | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 84 | Shorten unit work week during off-peak periods | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 85 | Reduce task frequencies | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |

| Employee Stipends and Perks | | Savings Potential | Employee Tolerance | Outside CBA |
|-----------------------------|---|-------------------|--------------------|-------------------------------------|
| 86 | Freeze out-of-state travel | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 87 | Cap travel expenses | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 88 | Limit conference attendance | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 89 | Limit staff events to on-campus/free spaces | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 90 | Limit professional development spending | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 91 | Freeze work station technology updates | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 92 | Reduce dining subsidies | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 93 | Charge employees for parking | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 94 | Limit cell phone offerings | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 95 | Limit entertainment/food budgets | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 96 | Combine holiday celebrations | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |

| Overtime | | Savings Potential | Employee Tolerance | Outside CBA |
|----------|---|-------------------|--------------------|-------------------------------------|
| 97 | Cap overtime | \$\$\$ \$ | ■■■ ■■ | <input type="checkbox"/> |
| 98 | Require "max-out" of after-hours shifts | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 99 | Create off-schedule shifts | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |
| 100 | Target incremental overtime | \$\$\$ \$ | ■■■ ■■ | <input checked="" type="checkbox"/> |