Researchers from Harvard, Yale and BYU have found a useful tool in overcoming procrastination when it comes to making financial decisions.

A new study, coauthored by Marriott School of Business Dean Brigitte Madrian, shows how forcing employees to make a choice between picking up their prescriptions at a retail pharmacy or getting them in the mail through home delivery caused take-up of the plan with the greatest financial benefit, home delivery, to go from 6 percent to 42 percent.

"The cost of not taking action really matters in getting people to do something," Madrian said. "If you want people to get something done, make it less costly. Make it easy to sign up, and make it costly to opt out."

In her time at Harvard, Madrian was a prolific researcher in the area of behavioral economics and household finance, with a particular focus on household saving and investment behavior.

She and the group of researchers applied a principle called "active choice" to encourage employees to opt in to an employer-sponsored home delivery prescription drug benefit. (Companies favor home delivery because it cuts costs for them and employees.) The active choice experiment required employees to choose between home delivery or pharmacy pickup. Those who made no choice defaulted to the pharmacy pickup option, but without insurance subsidies.

"Enrollment using active choice strikes a balance between the extremes of opt-in and opt-out enrollment," said co-author David Laibson, Robert I. Goldman Professor of Economics at Harvard. "With active choice enrollment, potential participants are asked to choose for themselves without the bias of a default outcome capturing passive individuals."

Before the study, about 6 percent of employees were choosing home delivery. For the study, Laibson and coauthors required employees to make a choice within a 3-month window. The result? 42 percent chose home delivery, 39 percent chose pharmacy pick-up and 19 percent made no choice.

"If you look at 6 percent enrollment, you could assume that people just aren't that interested in a program," Madrian said. "But that was a false conclusion. The difference between 6 percent and 42 percent is that many people are procrastinators. They like the idea of home delivery, but they don't get around to signing up. Active choice helps people not procrastinate choices that are in their self-interest to make."

The data showed that those who didn't make a choice and ended up in the default category, pharmacy pick-up but without an insurance subsidy, didn't have a financial incentive to do so because they don't spend much money on prescriptions in general. According to the paper, published recently in *Organizational Behavior and Human Decision Processes*, increasing the number...
of employees using home-delivery saved employees $417,000 annually, and saved the company another $283,000.

The study was a follow-up to previous research from Madrian and colleagues at Harvard and Yale that found requiring an active choice about whether or not to participate in a 401(k) is a major way to help people save for retirement.

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