

## Know the difference: Passive enrollment vs. active enrollment



Even with a top-of-the-line benefits plan, open enrollment can be an intense time for both employers and employees. But the level of intensity depends upon an important choice that benefits decision-makers need to make on behalf of the team: Do you go with passive enrollment or active enrollment?

Each type of enrollment has supporters and detractors. So what's the difference between the two?

### The difference between passive enrollment and active enrollment

Passive enrollment is exactly what it sounds like — passive. Just like passive income is income that you don't need to actively work to acquire, passive enrollment allows employees' benefits to remain the same year after year without them having to participate in the opt-in process. After employees choose the benefits they want the first time, their selections carry over into the next term.

Active enrollment requires employees to manually update their selections each year. Just as your job will only pay you if you show up to work, employees with this type of enrollment get benefits only if they actively opt in to them during open enrollment each year. If an employee doesn't make a selection, that employee won't receive benefits.

Given the risk of losing coverage, at first glance it may seem that passive enrollment is the better option. But both passive and active enrollment have pros and cons.

### Pros and cons of passive enrollment

#### Pro

- **It's convenient.** Passive enrollment is simple and easy. On the employee side, there's no worry about finding time to enroll. And for employers, there's no worry about tracking down every employee to ensure that everyone re-enrolls during open enrollment.
- **Employees can still update their selections.** If employees want to update their benefits opt-ins and waivers, they can do so. While passive enrollment makes it so that your staff doesn't have to do this each year, there's nothing stopping employees from changing their selections annually.



- **Employees don't run the risk of losing coverage.** Even if an employee intends to make changes during open enrollment and then forgets, that employee will still have coverage. Employees won't be able to update their selections after the open enrollment period has passed, but they'll have something — far better than nothing.
- **It saves time.** For employees, passive enrollment means they need only to update the benefits they want to change rather than spend time re-enrolling in everything. And for employers, passive enrollment cuts down on the time-consuming administrative tasks that new opt-ins and waivers require.

### Con

- **Employees may not prioritize reviewing benefits.** Because they aren't required to go through the entire benefits plan again, employees may choose not to. This saves them time, but it also eliminates their ability to waive benefits they no longer need or want and to update the ones they do. Failure to review the offered benefits can lead to employees making poor choices and being underinsured.
- **Employers may face higher benefits costs.** If employees who are overinsured do not update their benefits plans, employers may be on the hook for paying more than they need to.
- **Some benefits can't be treated passively.** There are certain benefits, such as flexible spending accounts (FSAs), that require an opt-in during each enrollment period. So while passive enrollment ensures employees won't lose all of their benefits if they fail to update their selections, they could lose some.

## Pros and cons of active enrollment

### Pros

- **It forces employees to review and re-select benefits.** Though it takes time, this helps ensure that employees take advantage of the benefits that most apply to their present situations and drop those they no longer need.
- **It creates an opportunity for employers to educate employees on benefits.** Open enrollment is a great time to educate employees on what's being offered. And because active enrollment mandates employee participation in the selection process, they'll be more inclined to pay attention.
- **Benefits that can't be treated passively aren't overlooked.** Remember those FSAs? No worries about accidentally losing them here. With active enrollment, employees have no choice but to consciously opt in or waive each benefit.
- **It helps keep important information up to date.** Emergency contacts, beneficiaries and dependents are just a few of the information items employees have to fill out during active enrollment. As such, these important details are updated no less than once per year.



## Cons

- **It's not as convenient.** Employees will have to update all of their selections and other information — and again the next year and the year after that. They're starting from scratch every year.
- **Employees may fail to re-enroll during open enrollment.** It doesn't matter if employees purposefully didn't enroll or simply forgot. If an employee does not participate in active enrollment, he or she runs the risk of losing coverage.
- **It takes time. Active enrollment requires active participation.** And active participation means time — there's no way to get out of it. Employees will have to fill out each of their selections, and employers will have to process all of them.
- **It can be costly.** While only updated selections need to be processed with passive enrollment, active enrollment requires every selection to be processed. In addition to time, this can be a greater expense to employers.

## Passive vs. active enrollment — the choice is yours

Both passive and active enrollment have unique upsides and drawbacks. But which is better? Only you and your company can answer that. Every employer is different, and what works for one won't always work for another. The key is to weigh the pros and cons of each option and decide what's best for you.



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