



# Traditional vs. For-Profit and Private Sector Education: The Pros and Cons

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# The College of 2020

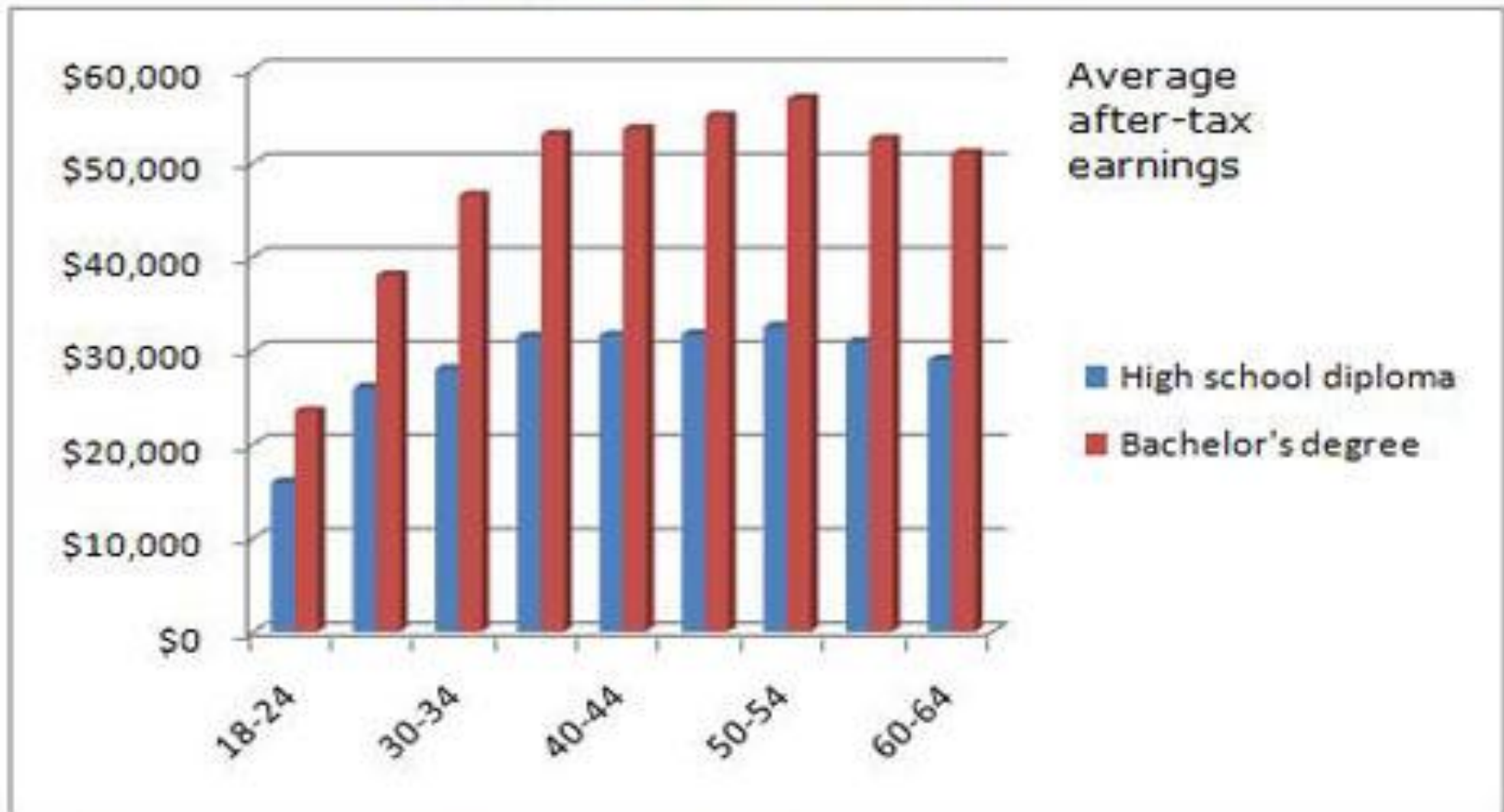
## Chronicle Research Services

- The traditional model of college is changing
- More online, part-time, attend multiple universities, start and stop, & lower cost alternatives
- Higher enrollment levels in community colleges and for-profit institutions
- Learning from the for-profits: start courses and programs at multiple times throughout the year
- Convenience is what students seek

## *But why has it changed?*

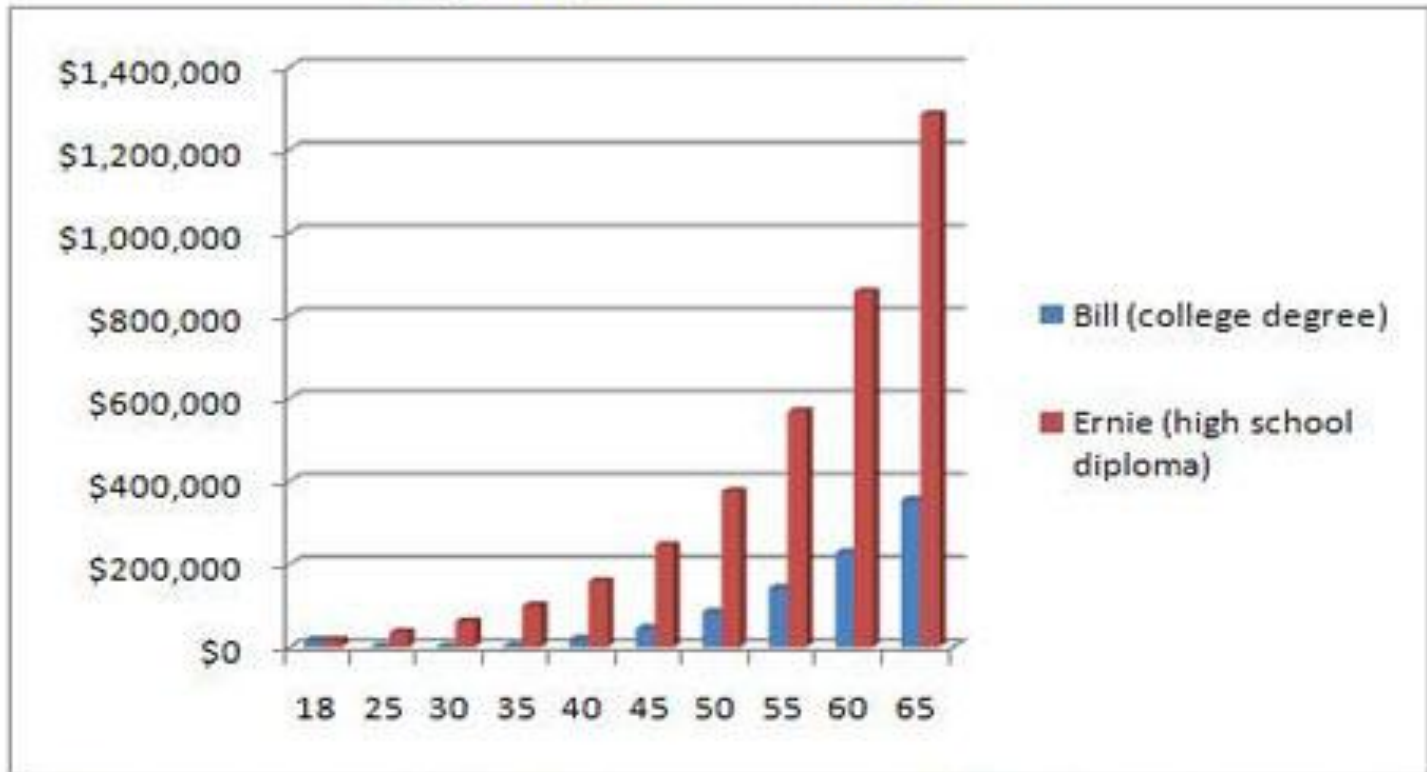
- **Vocationalization of Higher Education**
  - **GI Bill**
  - **BLS Data**
  - **Professional School Emergence**
  - **Career vs. Degree**
  - **Sales Pitch**

## Degree holders earn more



Sources: U.S. Census Bureau, Tax Policy Center

## Saving early beats earning more



*Assumptions: Each starts with \$16,594. College costs, grants and loans equal national averages. Each invests 5% of after-tax pay each year through monthly contributions and earns 8% returns.*

# *But why has it changed?*

- **Vocationalization of Higher Education**
  - **GI Bill**
  - **BLS Data**
  - **Professional School Emergence**
  - **Career vs. Degree**
  - **Sales Pitch**
- **Economic Drivers/Government Policy Responses**
- **Technological Innovations**
- **Changing Demographics**
  - **Age**
  - **Race**
  - **Socioeconomic Status**
  - **Mobile**
- **Global Trends**

# The Influence of Disruptive Innovation- -Approaches to Innovation

- **Sustaining Innovation –Bigger and Better**
- **Disruptive Innovation -- “ a disruptive innovation disrupts the bigger-and-better cycle by bringing to market a product or service that is not as good as the best traditional offerings but is more affordable and easy to use.”**

*Source: The Innovative University, Clayton M. Christensen  
and Henry J. Eyring*

# Conditions That Facilitate Disruptive Innovation

- **Costs become too high driving out part of the market**
- **Technological innovations/changing landscape**
- **Marketplace changes**

# The Road to Success for Disruptive Innovators

- **Pick-off an initial small market**
- **Improve quality of the product through sustaining innovation**
- **Expand reach into marketplace**

# Challenges to Responding for Public Higher Education

- **Philosophical Resistance**

## Liberal arts vs. job training

***“Traditional universities benefit society not just by producing intelligent graduates and valuable discoveries but also by fostering unmarketable yet invaluable intangibles such as social tolerance, personal responsibility, and respect for the rule of law...Pure profit-based competition would produce fewer of these social goods...”***

***Source: The Innovative University, Clayton M. Christensen and Henry J. Eyring***

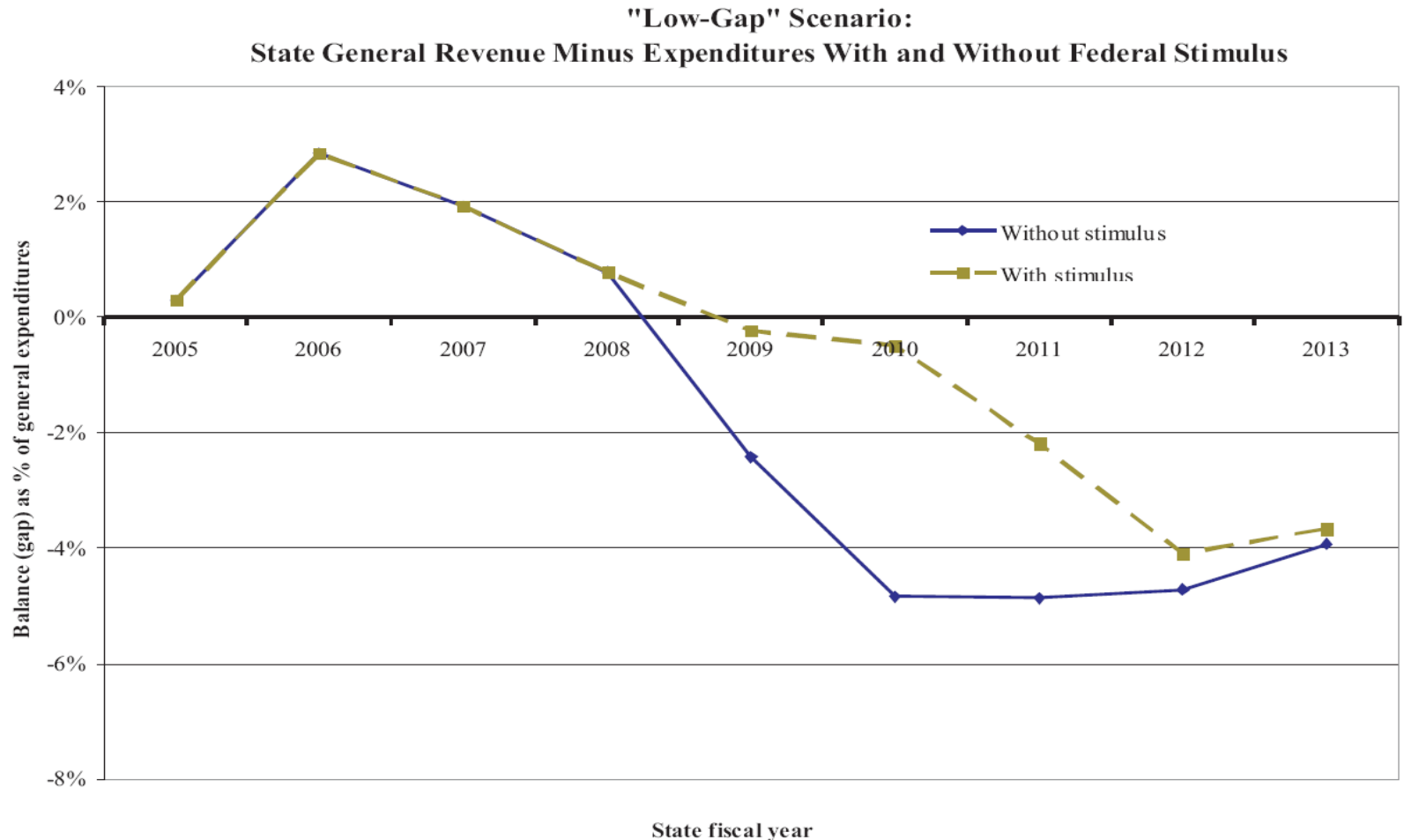
# *History of Higher Education*

- **Bigger and better**
- **Compete with more services**
- **Never leaner and meaner**

# Challenges to Public Higher Education

- **Philosophical Resistance**
- **Funding Challenges**

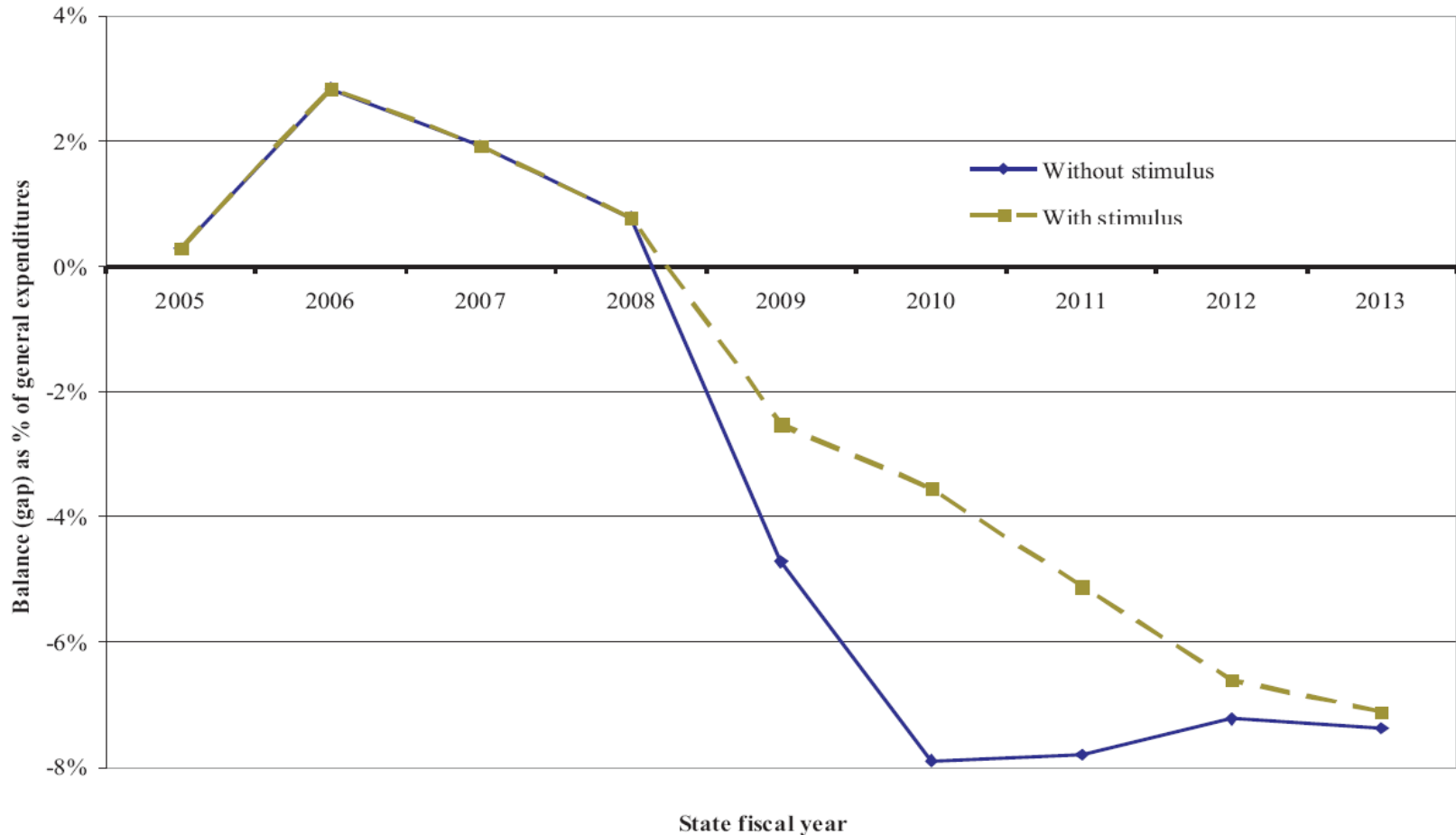
# After stimulus wanes, gaps could approximate 4% of spending, or \$70 billion, even under the "Low-Gap" Scenario



Source: Don Boyd (Rockefeller Institute of Government), 2009

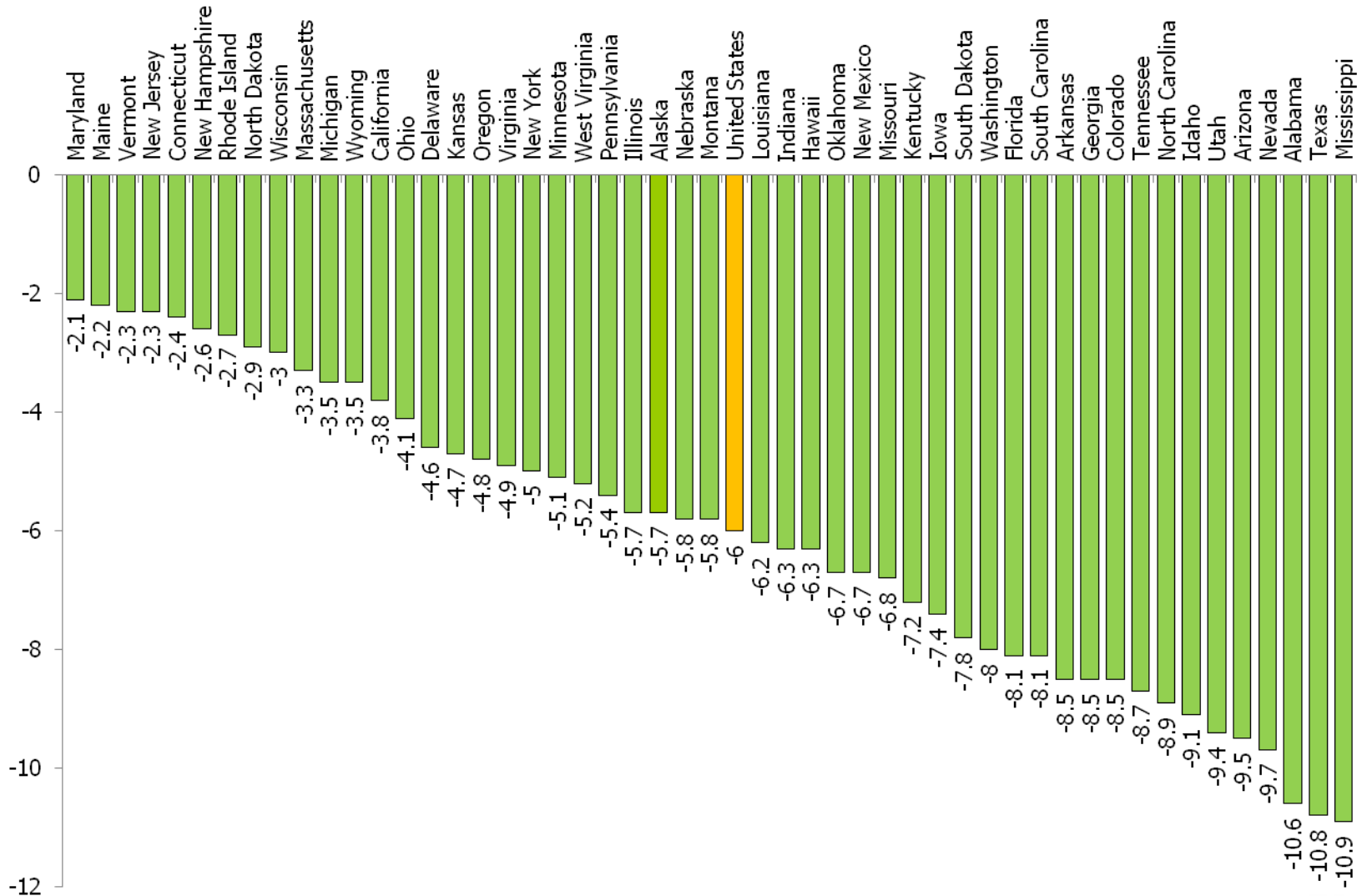
# After stimulus wanes, gaps could approach 7% of spending or \$120 billion under the "High-Gap" scenario

"High-Gap" Scenario:  
State General Revenue Minus Expenditures With and Without Federal Stimulus





# Projected State and Local Budget Surplus (Gap) as a Percent of Revenues, 2016



Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2009

# Student Debt and Tuition Increases

- ***Estimated average debt of graduating senior, 2009: \$24,000***
- ***In August 2010 student loans passed credit cards as the nations largest source of debt***
- ***Since 1978 tuition at U.S. colleges has increased over 900%***
- ***The tuition increase is over 650 points above inflation; housing increased only 50 points above the Consumer Price Index during the same time***
- *Source: N+1 Magazine (<http://nplusonemag.com/bad-education>) accessed 6/7/2011)*

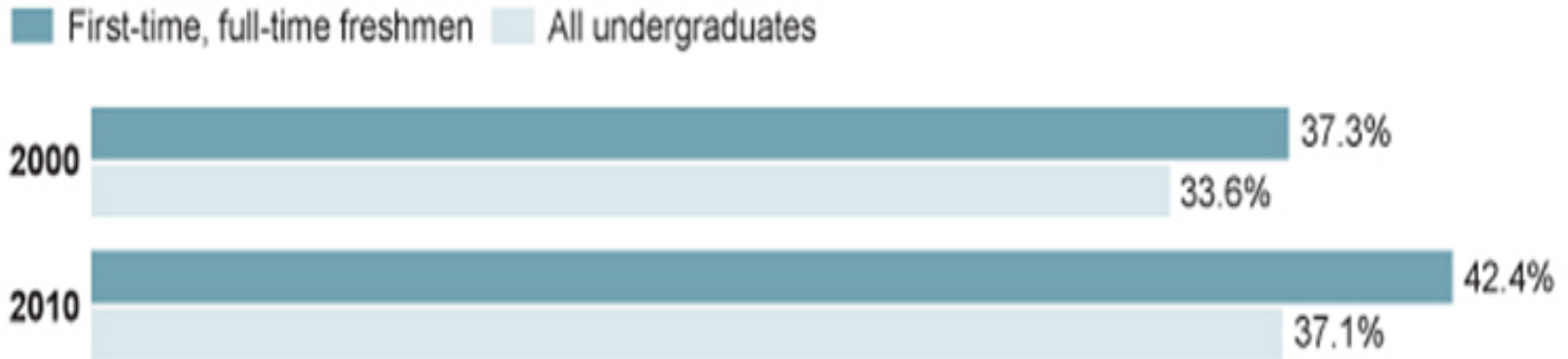
# ***Additional Challenges to Private Non-Profit Institutions***

***“Private universities without national recognition and large endowments are at great financial risk”***

***Source: The Innovative University, Clayton M. Christensen and Henry J. Eyring***

# Tuition-Discount Rates at Private Colleges Are Rising

## Average tuition discount rates



**Note:** Data come from between 154 (in 2000) and 381 (in 2010) responding institutions. Data are for fall of respective years. Figures for 2010 are preliminary.

Source: National Association of College and University Business Officers

## For-profits are more expensive than not-for-profits at the two-year level

Average tuition and fees for undergraduates,  
2009-10 academic year

Sector and level of institution	Average tuition and fees
<b>Four-year institutions</b>	
Public, in-state	\$6,393
Public, out-of-state	\$15,078
Private, not-for-profit	\$21,050
<b>Private, for-profit</b>	<b>\$15,715</b>
<b>Two-year institutions</b>	
Public, in-state*	\$2,970
Public, out-of-state*	\$6,187
Private, not-for-profit	\$10,266
<b>Private, for-profit</b>	<b>\$14,280</b>
<b>Less than two-year institutions</b>	
Public, in-state	\$5,106
Public, out-of-state	\$5,584
Private, not-for-profit	\$8,982
<b>Private, for-profit</b>	<b>\$12,807</b>

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Fall 2008, Institutional Characteristics.<sup>27</sup>

\*Community colleges

# Conditions That Facilitate Disruptive Innovation

- **Costs become too high driving out part of the market**
- **Technological innovations/changing landscape**
- **Marketplace changes**

# Challenges to Public Higher Education

- **Philosophical Resistance**
- **Funding Challenges**
- **Increasing Expectations**

# Changing Expectations

**Emphasis on rapid skills development**

**Requires new ways of teaching including collaborative tools and immersive learning**

**Must reduce time to competence**

**Must emphasize data and outcomes**

**Must teach competition on a new level, no longer what you know but how you apply what you know**

# Conditions That Facilitate Disruptive Innovation

- **Costs become too high driving out part of the market**
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# Changing Demographics

- **Age**
- **Race**
- **Socioeconomic Status**
- **Mobile**

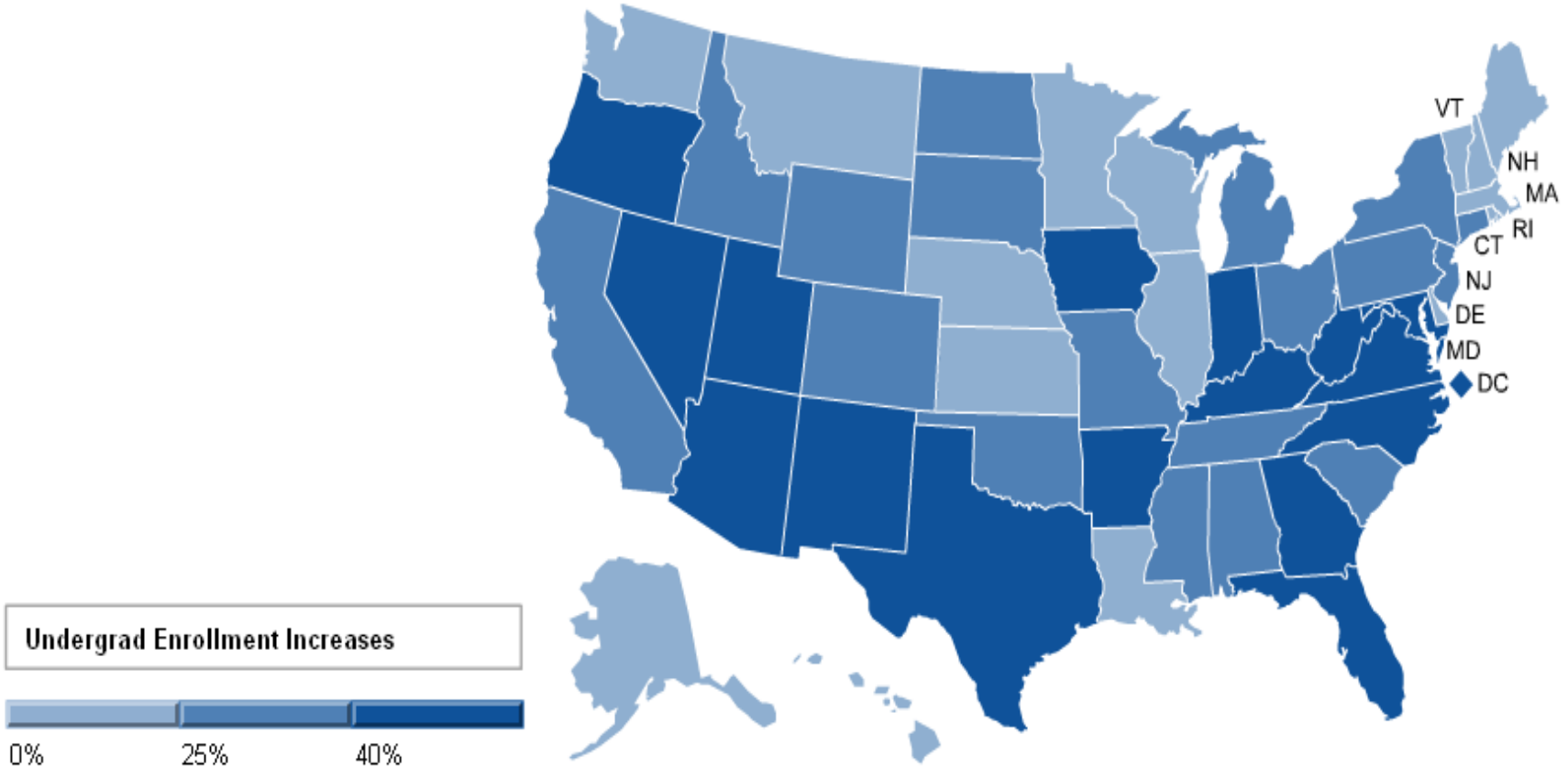
# Increasing Diversity in Higher Education

	<u>1971</u>	<u>2010</u>
<b>White</b>	<b>90.9%</b>	<b>73.1%</b>
<b>Black</b>	<b>7.5%</b>	<b>11.0%</b>
<b>Asian &amp; Latino</b>	<b>0.6%</b>	<b>-----</b>
<b>Asian</b>	<b>-----</b>	<b>8.9%</b>
<b>Latino/as</b>	<b>-----</b>	<b>9.7%</b>

# The Future Marketplace

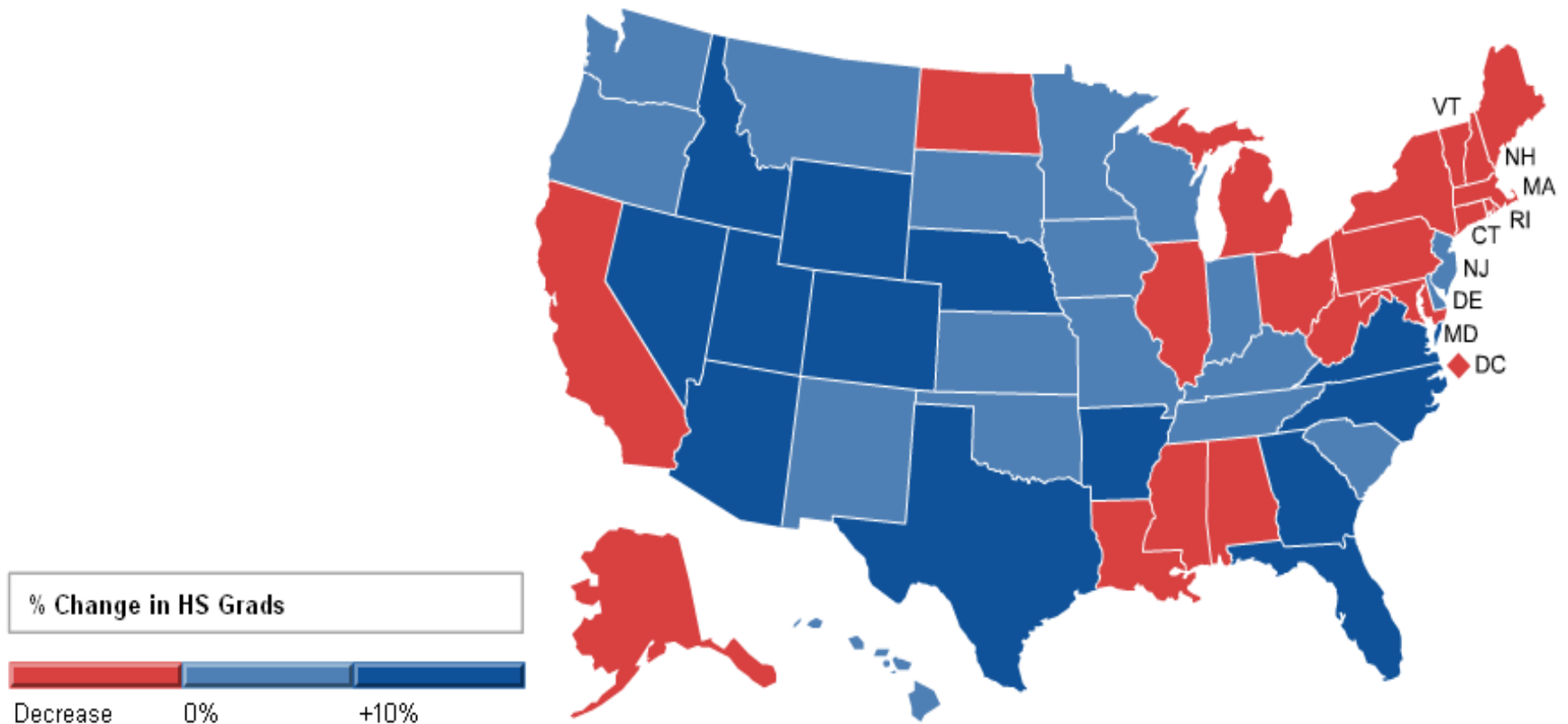
- **Domestic Market**
- **Military & Veterans**
- **Global**

# Increases in Undergraduate Enrollments, 1999-2009



SOURCE: Chronicle analysis of U.S. Education Department data

# Projected Change in Numbers of New High-School Graduates, 2011-12 to 2021-22



SOURCE: Western Interstate Commission for Higher Education

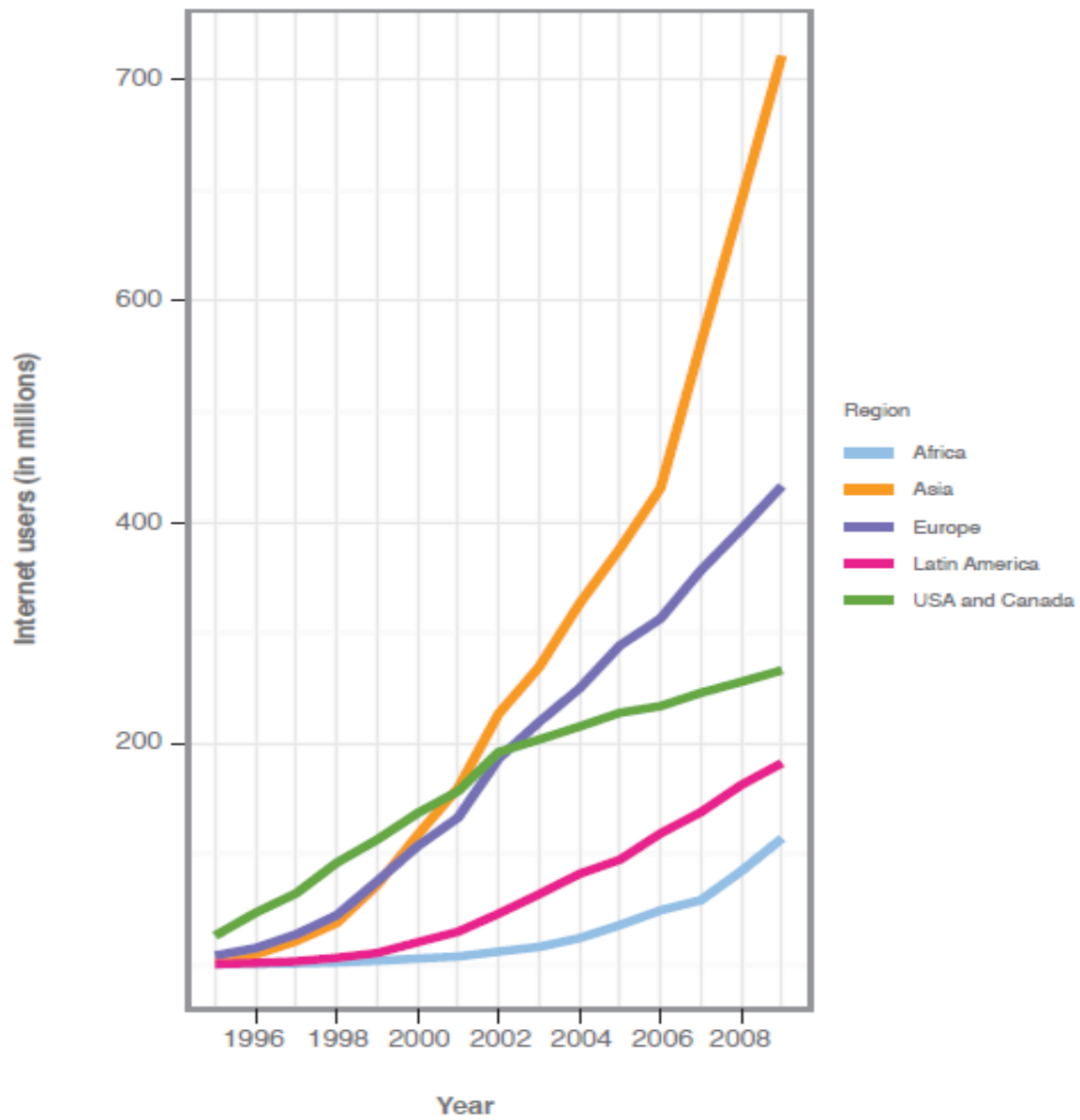
## *Some Facts About Education For Military Members*

- 23.8 million = total living veterans (from all periods)
- 3.1 million = total military force (includes reserves)
- 1.4 million = active duty service members
- 523,000 = # of veterans receiving VA education benefits
- After 6 years, servicemember's benefits also apply to their spouse and children
- **Military students tend to enroll like older non-military students**
- 16.2% = women veterans (post-9/11)
- **Post 9/11 veteran population is projected to increase in the future, peaking at or around 2016 at current estimates**

Sources: Department of Veterans Affairs; Department of Defense; from presentation by Young Kim, American Council on Education, June 2009, Assn for Institutional Research

## Source of international students in the U.S., 2009-10

- **China**                      **127, 628**
- **India**                        **104,897**
- **South Korea**              **72,153**
- **Canada**                    **28,145**
- **Taiwan**                     **26,685**
- **Japan**                      **24,842**
- **Saudi Arabia**              **15,810**
- **Mexico**                    **13,450**
- **Vietnam**                   **13,112**
- **Turkey**                     **12,397**
- *Source: Institute of International Education*



***In this atmosphere a climate has developed that supports the entry into the market of the private, for-profit higher education sector BUT how much has for-profit higher education penetrated the landscape of higher education?***

# What campuses have the largest enrollment?

*Fall 2009, headcount, full and part-time*

- **University of Phoenix (online)** **380,232**
- **Kaplan University** **71,011**
- **Arizona State Univ. at Tempe** **68,064**
- **Miami Dade College** **59,120**
- **Ohio State Univ. (main campus)** **55,014**

**Top ten: for-profit 505,568; not-for-profit 393,195**

*Source: The Chronicle of Higher Education, Almanac Issue 2011-12*

# *Ten year growth in undergraduate enrollments, 1998-2008*

**329 % for-profit 4 year**

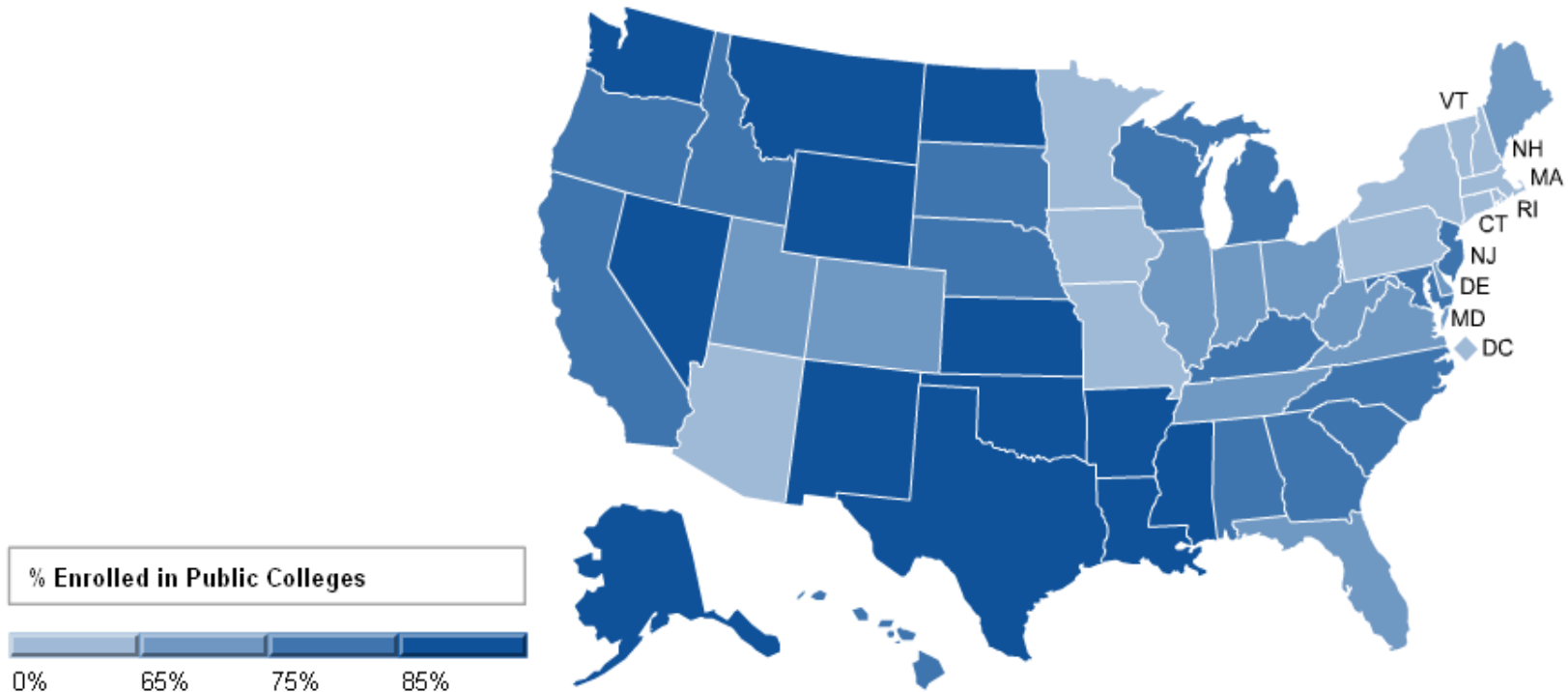
**20% public 4 year**

**19% private, non-profit 4 year**

**129% for profit 2 year**

**42% public 2 year**

# Most Students Attend Public Colleges



**SOURCE:** Chronicle analysis of U.S. Education Department data

Note: The percentages for some states were depressed by large numbers of students living elsewhere who enrolled in online-only courses offered by for-profit colleges based in those states for example, at the University of Phoenix, in Arizona. Such students, who were not reported separately, were counted in the total enrollment for those states.

### Total undergraduate enrollments, by type of college, 2009

For-profit Public Private nonprofit

#### 4-year



#### 2-year

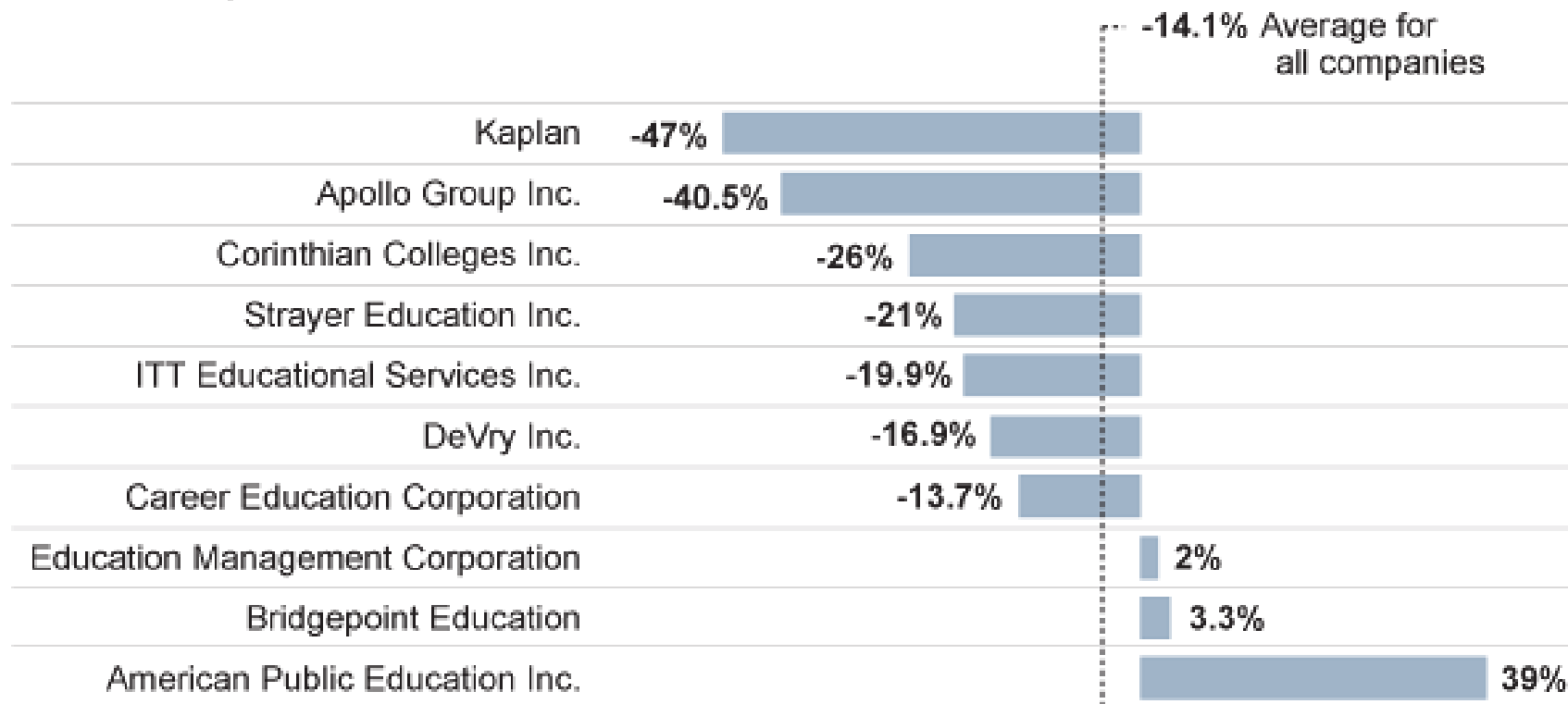


**Note:** Figures were derived from fall "head count" enrollment figures, which include all full- and part-time undergraduates.

Source: *Chronicle* analysis of U.S. Education Department data

## Enrollments Plummet

After years of double-digit increases, enrollments of new students at many for-profit colleges are falling sharply. Companies attribute the declines to, among other reasons, a weak economy and increased federal scrutiny of the sector.



Source: Company reporting and Stifel Nicolaus & Co.

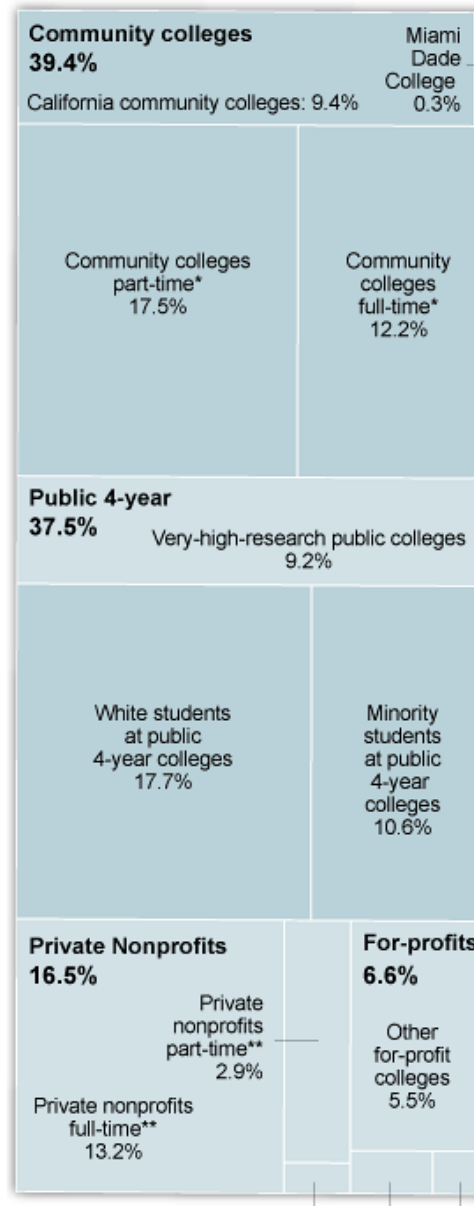
# Degrees Awarded, by Type of Institution, 2008-9

	Associate		Bachelor's		Master's		Doctorate/Professional	
	Number	Share	Number	Share	Number	Share	Number	Share
Public	596,107	76%	1,020,435	64%	308,206	47%	77,268	50%
Private nonprofit	46,929	6%	496,260	31%	290,393	44%	73,446	48%
Private for-profit	144,430	18%	84,673	5%	63,480	10%	3,711	2%
All	787,466		1,601,368		662,079		154,425	

Note: The doctorate/professional category includes 92,119 professional degrees, like medical and dentistry degrees. Because of rounding, percentages may not add up to 100 percent.

Source: U.S. Education Department

# Enrollment by sector and characteristics, 2007-8



# Why Hasn't It Changed More

- **Still strong “traditional” enrollment with sense of value-added**
- **Questions about quality**
- **Accreditation roadblocks**
- **Policy intrusions**

# Policy Impacts From For-Profit Education

- Requirements for state by state authorization to deliver online instruction: U.S. Dept of Education regulations
- Gainful employment regulations
- Misrepresentation guidelines enhanced

# Challenges to Public Higher Education

- **Philosophical Resistance**
- **Funding Challenges**
- **Increasing Expectations**
- **Crippling Inertia Designed Into System**

# Take-home Lessons for Non-Profit Higher Educational Institutions from the For-Profit World

- *Understand the markets*
- *Pay attention to our customers' needs*
- *Embrace innovation*
- *Develop more nimble business practices*
- *Tailor educational solutions (and institutions) to address real-world problems*

Center for American Progress



## Profiting from Health Care

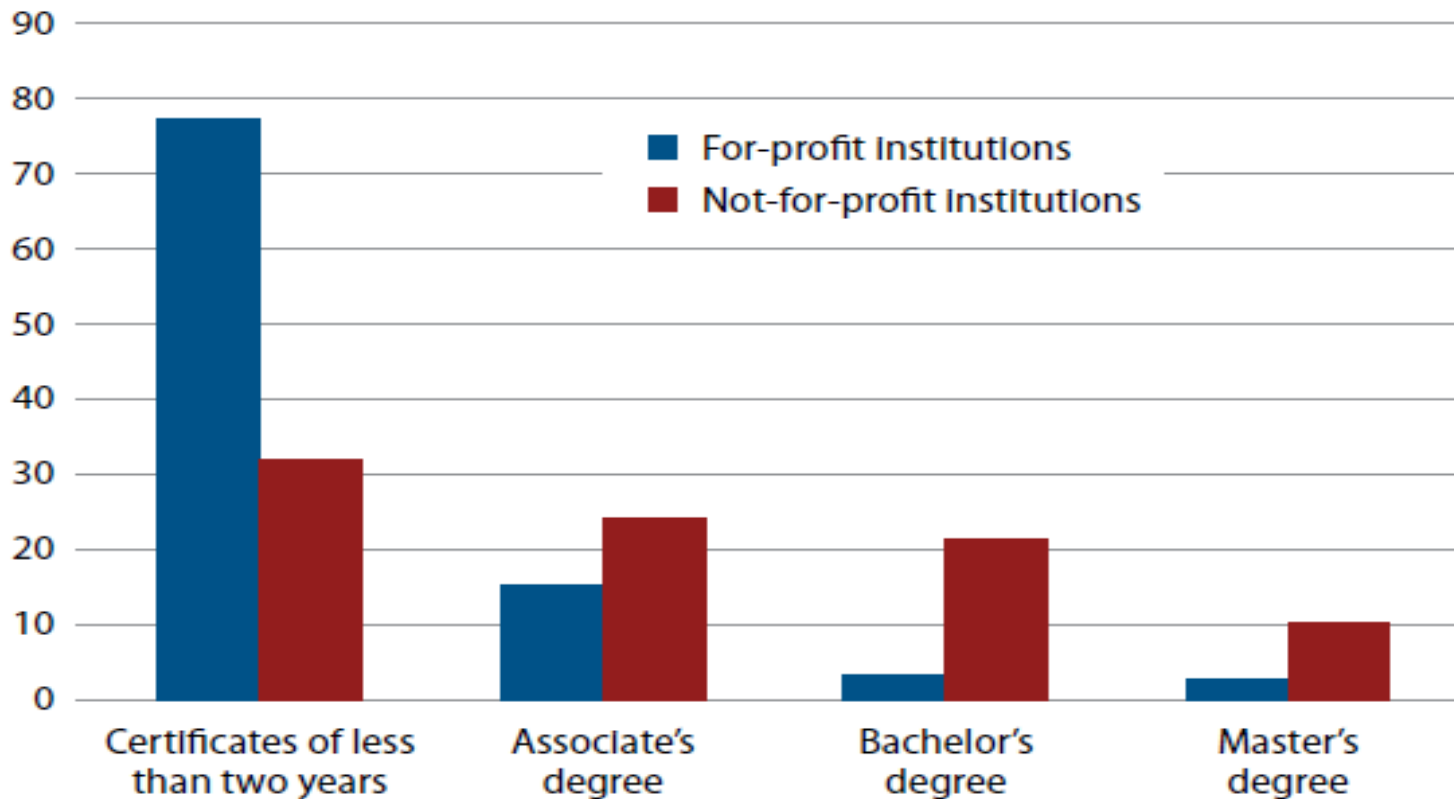
The Role of For-Profit Schools in Training the Health Care Workforce

Julie Margetta Morgan and Ellen-Marie Whelan January 2011

[WWW.AMERICANPROGRESS.ORG](http://WWW.AMERICANPROGRESS.ORG)

## For-profit schools award a far greater proportion of degrees at the associate's level or below

Completions in health care by degree level as a percentage of all health care degrees and certificates, 2008-09



Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, 2008-2009.

Publication source: [Profiting From Health Care](#), Center for American Progress, January 2011

**The Ticker** is *The Chronicle's* breaking-news blog

October 4, 2010, 03:46 PM ET

## **Large, Health-Care-Focused For-Profits Are More Likely to Rely Heavily on Federal Aid**

For-profit colleges that came closest to violating a federal rule that prohibits such institutions from receiving more than 90 percent of their revenue from federal student aid were likely to be large, to be part of a chain or a publicly traded company, to focus on health-care training, and to award degrees no higher than the associate level, according to a [report](#) released today by the [U.S. Government Accountability Office](#). The report says that almost 100 percent of colleges complied with the regulation, known as the "90/10 rule," from 2003 to 2008, but about 15 percent of them had rates higher than 85 percent in 2008, an increase from previous years.

TABLE 2

## The 10 largest health care educational programs in the for-profit and not-for-profit sectors by completion

Most popular programs for for-profit schools				Most popular programs for not-for-profit schools			
Program	Number of completions (for-profit)	Number of completions (not-for-profit)	Percent of completions nationwide	Program	Number of completions (not-for-profit)	Number of completions (for-profit)	Percent of completions nationwide
1 Medical/clinical assistant	77,210	10,531	88%	1 Nursing/registered nurse*	153,640	10,797	93%
2 Massage therapy/therapeutic massage	25,332	2,926	90%	2 Licensed practical/vocational nurse training	45,571	11,695	80%
3 Dental assisting	13,578	5,499	71%	3 Nurse/nursing assistant/aide and patient care assistant	35,993	4,524	89%
4 Licensed practical/vocational nurse	11,695	45,571	20%	4 Emergency medical technology/technician	22,539	1,164	95%
5 Pharmacy technician/assistant	11,629	3,579	76%	5 Medicine (M.D.)	16,547	0	100%
6 Medical insurance coding specialist	11,036	2,819	80%	6 Pharmacy	11,601	0	100%
7 Registered nursing*	10,797	153,640	7%	7 Medical/clinical assistant	10,531	77,210	12%
8 Allied health and medical assisting services/other	8,454	1,372	86%	8 Physical therapy/therapist	9,367	76	99%
9 Medical insurance specialist/medical biller	7,583	1,270	86%	9 Health/health care administration/management	7,564	3,220	70%
10 Medical administrative/executive assistant and medical secretary	6,912	4,574	60%	10 Medical radiologic technology/radiation therapist	7,076	2,309	75%

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, 2008-2009.

Methodology: For these tables (this analysis) we used the numbers of "completions" as defined in the Integrated Postsecondary Education Data System and used their Completion in Program, or CIP, codes. For the "registered nursing" code, this includes about 9,000 master's degree programs and some RNs who are going back to obtain a bachelor's degree. Therefore not all of these completions will be new RNs. Specific RN-BSN programs are not identifiable in this data set, but instead "BSN" completion. This does not include the specific nursing master's degrees such as nurse practitioner, nurse midwife, and nurse anesthetist.

\*Note, these numbers include all "registered nurses" as defined in the IPEDS. This includes some in master's degree programs and some RNs who are going back to obtain a bachelor's degree, therefore not all of these completions will be new RNs.

Publication source: [Profiting From Health Care](#), Center for American Progress, January 2011

# How to compete with the for profits?

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National Guard  
Navy  
Marines

**Military tuition discount** for active duty, guard, reserve, retired, spouses, and DoD civilian employees.

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### Professional and Personal Development

Military personnel, spouses and dependents who want to improve their skills for **professional advancement** or **personal enrichment** have many options through Central Michigan University.

Some programs have military discounts and many are offered in convenient online formats.



"The program has been convenient for me in my workplace. I could work on the post all day and then take classes on the post as well."

**Captain Tracey Gonzales**  
MSA, General Administration

### CMU Military News

CMU makes list of America's Top Military-Friendly Colleges and Universities for second year in a row

### Military Links

Military Tuition Discount  
CMU MIVER Commendations  
CMU and GoArmyEd  
MilitaryAvenue.com  
Military.com - Military Tuition Assistance Programs

### Information for Students Using VA Benefits

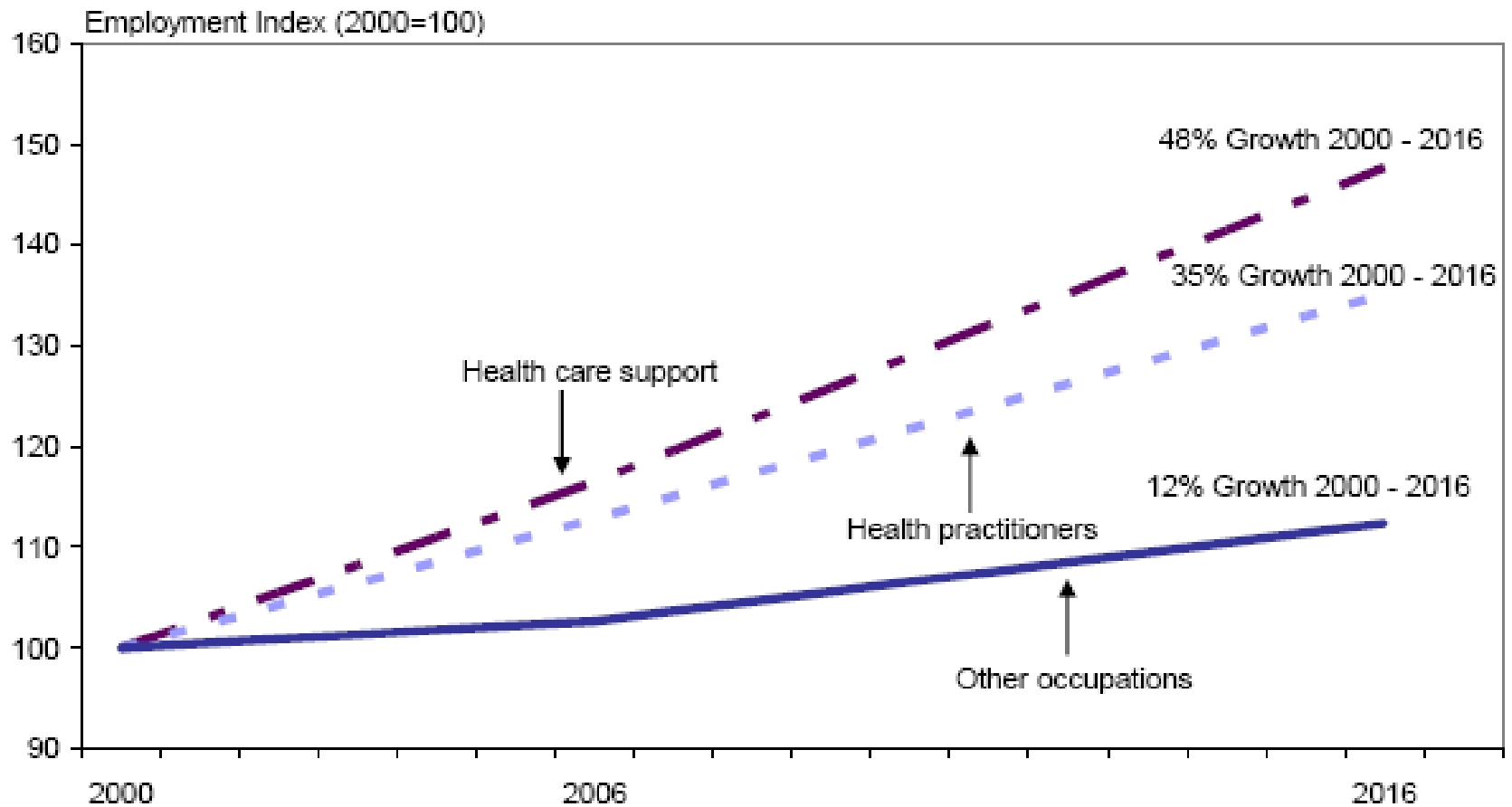
GI Bill Info  
Quick Reference Guide to VA Benefits  
CMU Veterans Registration Form

# Policy Issues of Importance

- **Global: accreditation and credentialing**
- **For-profit education: lower level vs. graduate level**
- **Military members and veterans**

# What are the implications for health professions programs?

### Figure 3: Actual and Projected Growth of Health-Related Occupations vs All Other Occupations, 2000-2016



Sources: "Occupational Employment Projections to 2010." Bureau of Labor Statistics. *Monthly Labor Review*. November 2001. "Occupational Employment Projections to 2016." Bureau of Labor Statistics. *Monthly Labor Review*. November 2007.

# Workforce Development

- **What kinds of educational experiences and curricula are needed to prepare the future workforce?**
- **What are the health workforce needs for the future?**
- **What kinds of students are needed to meet the workforce needs of the future, where do we find them, and how do we attract them to the educational programs?**

➤ **Student demand for entrance into programs**

➤ **Employer demand for graduates**

# Other trends influencing health professions education

- **Growth in the Use of Distance Education for Delivery of Clinically Oriented Educational Programs**

- *Didactic instruction online (including simulation)*

- *Preceptor directed clinical education—apprenticeship training*

- **For-Profit (proprietary) Education in the Health Professions**

- **Changing Student Expectations**

# Program Dynamics

- **Limited curriculum flexibility and sequential, often lock-step curriculum**
- **Attrition; can't replace students dropping out**
- **Often numerous prerequisite courses**
- **Different degree levels in some disciplines**
- **Difficult to manage programs**

# Issues of Concern

- **Sufficient program funding**
- **Clinical sites**
- **Clinical simulation**
- **Recruiting and enrolling capable students**
- **Multi-generational and multi-cultural students**
- **Keeping curriculum current with practice**

# Dialogue on Policy Issues

# Policy Issues of Importance

- **Delivery of online instruction to students out of state: U.S. Dept of Education regulations**
- **Resources: clinical affiliates, limited funding**
- **Gainful employment regulations**
- **Global: accreditation and credentialing**
- **For-profit education: lower level vs. graduate level**
- **Military members and veterans**