



Career-college head warns: Proposed rules could hobble healthcare sector

By Mike Lillis - 08/12/10 09:00 AM ET

As Congress and the White House eye ways to rein in the exploding for-profit education business, some industry leaders are warning policymakers: Don't overstep.

Recently proposed Department of Education (DOE) rules could hobble for-profit medical colleges at a time when those schools are feeding more and more of the nation's ever-rising demand for health professionals, cautioned Randy Proto, CEO of the American Institute, a New York-based company that runs schools in Florida, New Jersey and Connecticut.

The rules would slow the growth of career colleges, Proto said in a recent phone interview, and "thwart our ability to meet that need."

Broadly, Proto wondered why the administration has singled out for-profit schools, while largely excluding traditional nonprofit institutions. That discrepancy, he warned, puts the for-profits at a distinct disadvantage — something that could harm the lower-income students who tend to enroll disproportionately in career schools.

The administration "is trying to define thresholds for certain types of programs and not others," he said. "The rules are being applied unequally."

The comments are timely. Career colleges have been under fire after a series of reports suggested that aggressive recruiting, shady marketing practices — even fraud — are common within the industry.

Just last week, for instance, the Government Accountability Office (GAO) [issued a report](#) that outlined cases where for-profit recruiters obscured the true costs to attend institutions; exaggerated post-graduation salaries and employability in the fields students were entering; and encouraged applicants to lie on submission forms to tap federal loans for which they weren't eligible.

"Contrary to what we've heard from the industry, these practices seem to be standard," David Hawkins, public policy director at the National Association for College Admission Counseling, told Senate lawmakers last week. "They do not appear to be isolated acts of bad actors."

Such reports have raised the eyebrows of DOE officials, not least of all because for-profit colleges benefited from \$24 billion in federal tuition subsidies in the 2008-2009 school year — 23 percent of the \$105 billion in Title IV education funding allocated that year. Those subsidies have helped to fuel the

enormous growth of career colleges, which have seen enrollment soar roughly 500 percent — from 365,000 students to 1.8 million students — in just a few years, GAO notes.

And medical schools are among the most popular. Indeed, for-profits trained 42 percent of those receiving health degrees and certificates requiring two years of schooling or less, according to the latest survey from the National Center for Education Statistics.

In response to the damning reports, the DOE over the last two months [proposed a host of new rules](#) designed to eliminate the most common dubious practices used in the industry. DOE, for instance, wants to standardize the credit hour, the unit that dictates eligibility for federal funding. That change, agency officials argue, will prevent institutions from inflating those hours just to tap more federal money.

Another proposal — dubbed the "gainful employment" rule — aims to ensure that the fields students pursue are lucrative enough to pay back the loans they accumulate during training.

DOE also wants to tighten existing rules discouraging schools from paying recruiters based on the number of students they enroll. Eliminating those incentives, the reasoning goes, would leave recruiters little reason to mislead applicants about program costs, or encourage students to take out loans they can't afford.

The issue has also captured the attention of Sen. Tom Harkin (D-Iowa), chairman of the Senate Health, Education, Labor and Pensions Committee, [who said last week](#) that he wants to take a closer look at the accreditation process surrounding for-profits.

The industry is already pushing back against some of the proposals. Proto said he's particularly concerned with DOE's attempt to define a credit hour. The DOE's proposal, Proto said, would cut federal funds for short-term, non-degree programs, which cater largely to low-income individuals.

He also has concerns that the credit hour proposal would steal from the academic authority of institutions, putting the DOE "in an inappropriate role of dictating through centralized control the method of determining the currency of academic achievements," Proto wrote in comments on the rules filed to DOE last week.

Proto says he's not against some stricter rules, but simply wants them to apply across the education spectrum.

"I'm not opposed to being regulated," Proto said in the interview. "We just want fair rules."

Career colleges found an unlikely supporter this week in Steven Pearlstein, the liberal Pulitzer Prize-winning business columnist for *The Washington Post*, [who wrote Thursday](#) that it would be "a huge mistake if the misdeeds of some for-profits were used as an excuse to snuff out badly needed competition from new business models" offered by for-profit schools.

Those models, Pearlstein argued, "offer the only way to make cost-effective higher education more widely available."

Source:

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