

Anthem Education Group

Introduction

Anthem Education Group (“Anthem”) offers primarily career-focused Certificate and Associate degree programs. Unlike many for-profit education companies examined, Anthem has not experienced steady growth in student enrollment and profit realized in recent years. Largely as a result of sanctions from one of its brand’s accreditors in 2007, the company was forced to close campuses leading to a decline in enrollment, a lack of profitability, and continuing shifts in management and ownership. While Anthem’s relatively low student withdrawal rates suggest students are persisting in the company’s programs, the company’s high rates of student loan default call into question whether Anthem students are receiving an education that affords them the ability to repay the debt incurred.

Company Overview

Anthem is a privately held, for-profit education company headquartered in Phoenix, AZ, that is principally owned by the Pobiak Family Trusts, and Great Hill Equity Partners and Great Hill Investors.¹⁰¹⁹ Through a series of acquisitions and new campus openings, the company has grown to include over 22 campuses in 15 States and an online division.

Founded in 1965, the Electronic Institute of Arizona was acquired by Dennis and Marilyn Pobiak and renamed High-Tech Institute, Inc.¹⁰²⁰ In 1999, Great Hill Equity Partners, a Boston private equity firm, acquired 50 percent interest in High-Tech Institute, Inc.¹⁰²¹ High-Tech Institute, Inc. acquired the Chubb Institute in 2004 and renamed it Anthem institute in 2008.¹⁰²²

In March 2009, the private equity controlled High-Tech Institute, Inc. and TCI Education, Inc. and its family of schools began to operate under the umbrella name of Anthem Education Group LLC.¹⁰²³ At the time, the company operated schools under the names High-Tech Institute, Anthem Career College, Anthem College, Anthem College Online, Anthem Institute, Morrison University and the Bryman School of Arizona.¹⁰²⁴

¹⁰¹⁹ High-Tech Institute & TCI Education, *Regulatory Reporting Structure & Status*, July 2010 (2AEG-HELP-14-00000110). At the time of publication, there were reports that Anthem Education Group was undergoing a change in ownership.

¹⁰²⁰ High-Tech Institute, *2009 Catalog*, (2AEG-HELP-29-00000022, at 2AEG-HELP-29-00000024); See also, High-Tech Institute, *Institutional Leadership*, (2AEG-HELP-14-00001008).

¹⁰²¹ High-Tech Institute, *Self-Evaluation Report to ACCSCT*, 2004, (2AEG-HELP-31-00000432, at 448).

¹⁰²² High-Tech Institute, *Institutional Leadership*, (2AEG-HELP-14-00000996, 2AEG-HELP-14-00001008).

¹⁰²³ Great Hills Partners, *Anthem Education Group Unveiled as New Name*, March 24, 2009, <http://www.greathillpartners.com/news/details/2009/129> (accessed June 14, 2012); See also, High-Tech Institute & TCI Education, *Regulatory Reporting Structure & Status*, July 2010 (2AEG-HELP-14-00000110).

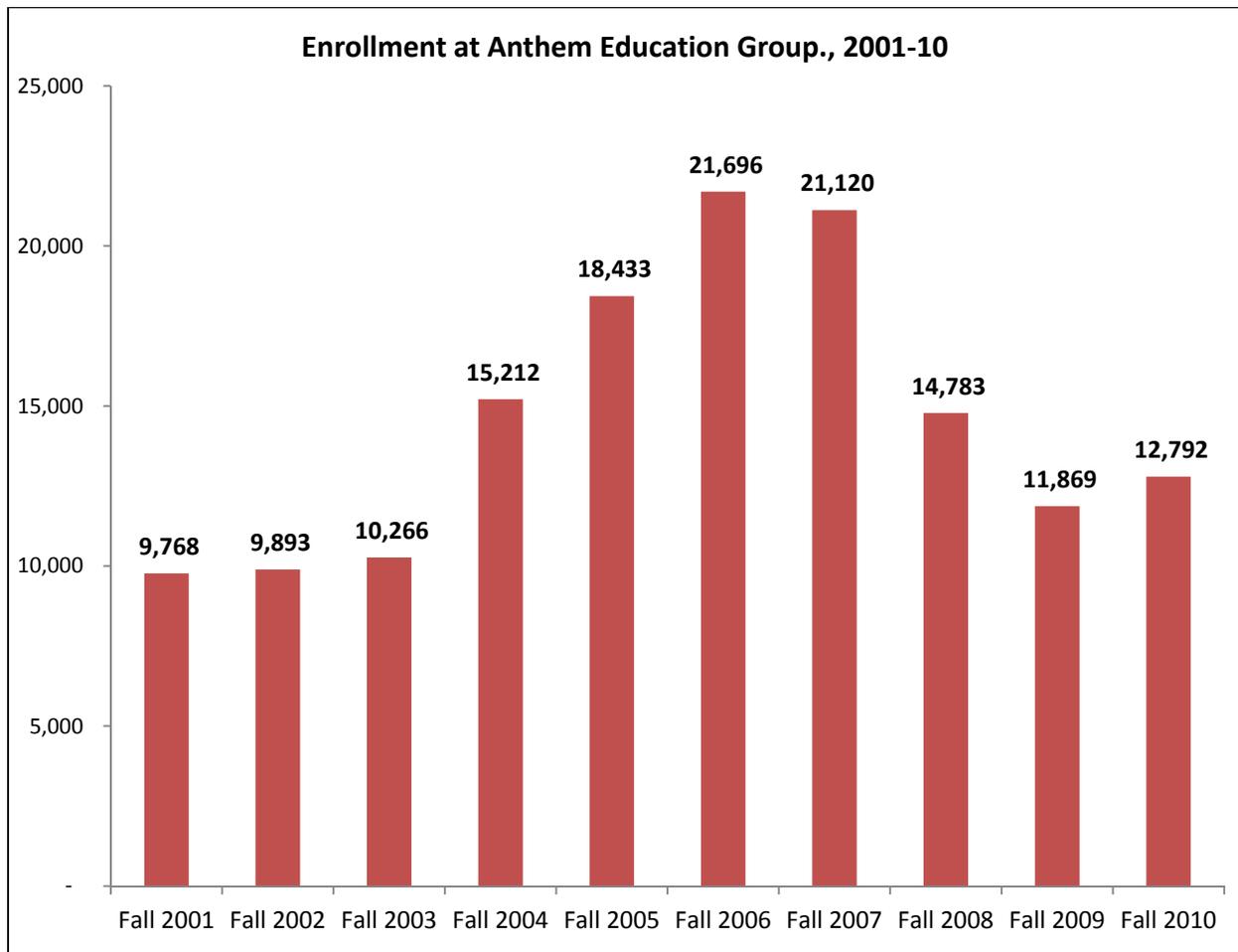
¹⁰²⁴ Anthem operates campuses in Tennessee, Georgia, Colorado, Oregon, Wisconsin, Missouri, Texas, Florida, Arizona, California, Minnesota, New York, Pennsylvania, and Nevada.

Brands
Anthem Career College
Anthem College Online
Anthem College
Anthem Institute
High-Tech Institute
Morrison University
The Bryman School of Arizona

Anthem Education Group schools and colleges offer career-focused Diploma, Associate, Bachelor’s and Master’s programs in a wide variety of fields, including health care, technology, business administration, criminal justice and graphic design and animation. Schools under the Anthem Education Group banner are accredited by different national accrediting organizations, including the Accrediting Council for Independent Colleges and Schools (ACICS), Accrediting Council for Continuing Education and Training (ACCET), Accrediting Commission of Career Schools and Colleges (ACCSC), and the Accrediting Bureau of Health Education Schools (ABHES).

Unlike most of the companies examined over the course of this investigation, enrollment at Anthem has declined significantly over the last 5 years. In fall 2006, Anthem enrolled 21,696 students, but in fall 2010 enrolled only 12,792.¹⁰²⁵

¹⁰²⁵ Enrollment is calculated using fall enrollment for all unit identifications controlled by the company for each year from the Department of Education’s Integrated Postsecondary Data System (hereinafter IPEDS). See Appendix 7. The most current enrollment data from the Department of Education measures enrollment in fall 2010. In 2011 and 2012, news accounts and SEC filings indicated that many for-profit education companies experienced a drop in new student enrollment. This has also led to a decrease in revenue and profit at some companies.



With this dramatic drop in enrollment, revenue at Anthem has similarly decreased from \$209 million in 2006 to \$141 million in 2009.¹⁰²⁶ In the 2009 fiscal year, Anthem operated at a loss, meaning the company’s expenses exceeded its revenue. However, the company shows signs that indicate it may be trending towards profitability.

Federal Revenue

Nearly all for-profit education companies derive the majority of their revenue from Federal financial aid programs. Between 2001 and 2010, the share of title IV Federal financial aid funds flowing to for-profit colleges increased from 12.2 to 24.8 percent and from \$5.4 to \$32.2 billion.¹⁰²⁷

¹⁰²⁶ Revenue figures for privately held companies are taken from the company financial statements produced to the committee. See Appendix 18.

¹⁰²⁷ Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Program Volume Reports by School*, <http://federalstudentaid.ed.gov/datacenter/programmatic.html>, 2000-1 and 2009-10. Figures for 2000-1 calculated using data provided to the committee by the U.S. Department of Education. “Federal financial aid funds” as used in this report means funds made available through Title IV of the Higher Education Act, including subsidized and unsubsidized Stafford loans, Pell grants, PLUS loans and multiple other small loan and grant programs. See 20 U.S.C. §1070 et seq.

Together, the 30 companies the committee examined derived 79 percent of their revenue from title IV Federal financial aid programs in 2010, up from 69 percent in 2006.¹⁰²⁸

In 2010, Anthem reported 81.9 percent of revenue from title IV Federal financial aid programs.¹⁰²⁹ However, this amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs or revenue the company was allowed to temporarily discount pursuant to the Ensuring Continued Access to Student Loans Act (ECASLA).¹⁰³⁰ Based on information the company provided, the committee estimates that Anthem discounted up to 6.2 percent of revenue, or \$8.5 million, pursuant to ECASLA in 2010. Department of Defense Tuition Assistance and post-9/11 GI bill funds accounted for approximately 0.5 percent of Anthem's revenue, or \$704,633.¹⁰³¹ With these funds from the Departments of Defense and Veterans Affairs included, 82.4 percent of Anthem's total revenue was comprised of Federal education funds.¹⁰³²

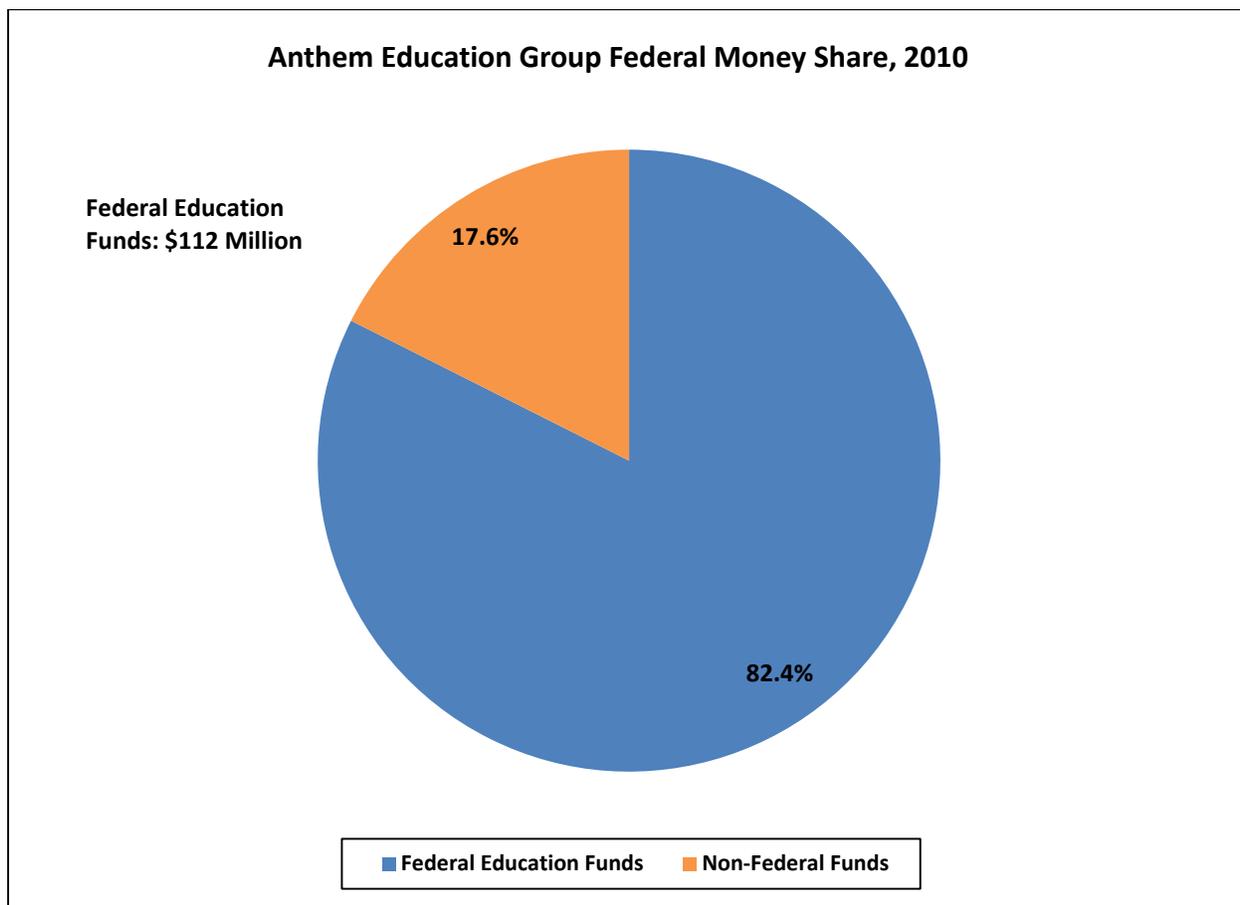
¹⁰²⁸ Senate HELP Committee staff analysis of Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data for fiscal year 2006 provided to the committee by each company; data for fiscal year 2010 provided by the Department of Education on October 14, 2011. See Appendix 9.

¹⁰²⁹ Senate HELP Committee staff analysis of fiscal 2010 Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data provided by the Department of Education on October 14, 2011. See Appendix 9.

¹⁰³⁰ The Ensuring Continued Access to Student Loan Act (ECASLA) increased Stafford loan amounts by up to \$2,000 per student. The bill also allowed for-profit education companies to exclude the increased amounts of loan eligibility from the calculation of Federal revenues (the 90/10 calculation) during fiscal years 2009 and 2010.

¹⁰³¹ Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; Post-9/11 GI bill disbursements for August 1, 2009 June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via the Department of Veterans Affairs on July 18, 2011; Department of Defense Tuition Assistance disbursements and MyCAA disbursements for fiscal years 2009-10 provided (by branch) by the Department of Defense on December 19, 2011. Committee staff calculated the average monthly amount of benefits collected from VA and DOD for each company, and estimated the amount of benefits received during the company's 2010 fiscal year. See Appendix 11 and 12.

¹⁰³² "Federal education funds" as used in this report means Federal financial aid funds combined with estimated Federal funds received from Department of Defense and Department of Veterans Affairs military education benefit programs. See Appendix 10.



The Pell grant program, the most substantial Federal program to assist economically disadvantaged students with college costs, is a significant source of revenue for for-profit colleges. Over the past 10 years, the amount of Pell grant funds collected by for-profit colleges as a whole increased from \$1.4 billion to \$8.8 billion; the share of total Pell disbursements that for-profit colleges collected increased from 14 to 25 percent.¹⁰³³

Part of the reason for this increase is that Congress has repeatedly increased the amount of Pell grant dollars available to a student over the past 4 years, and, for the 2009–10 and 2010–11 academic years, allowed students attending year-round to receive two Pell awards in 1 year. Poor economic conditions have also played a role in increasing the number of Pell eligible students enrolling in for-profit colleges.

The amount in Pell grant funds Anthem collects increased by 10 percent in 3 years, from \$37.3 million in 2007 to \$41.1 million in 2010.¹⁰³⁴

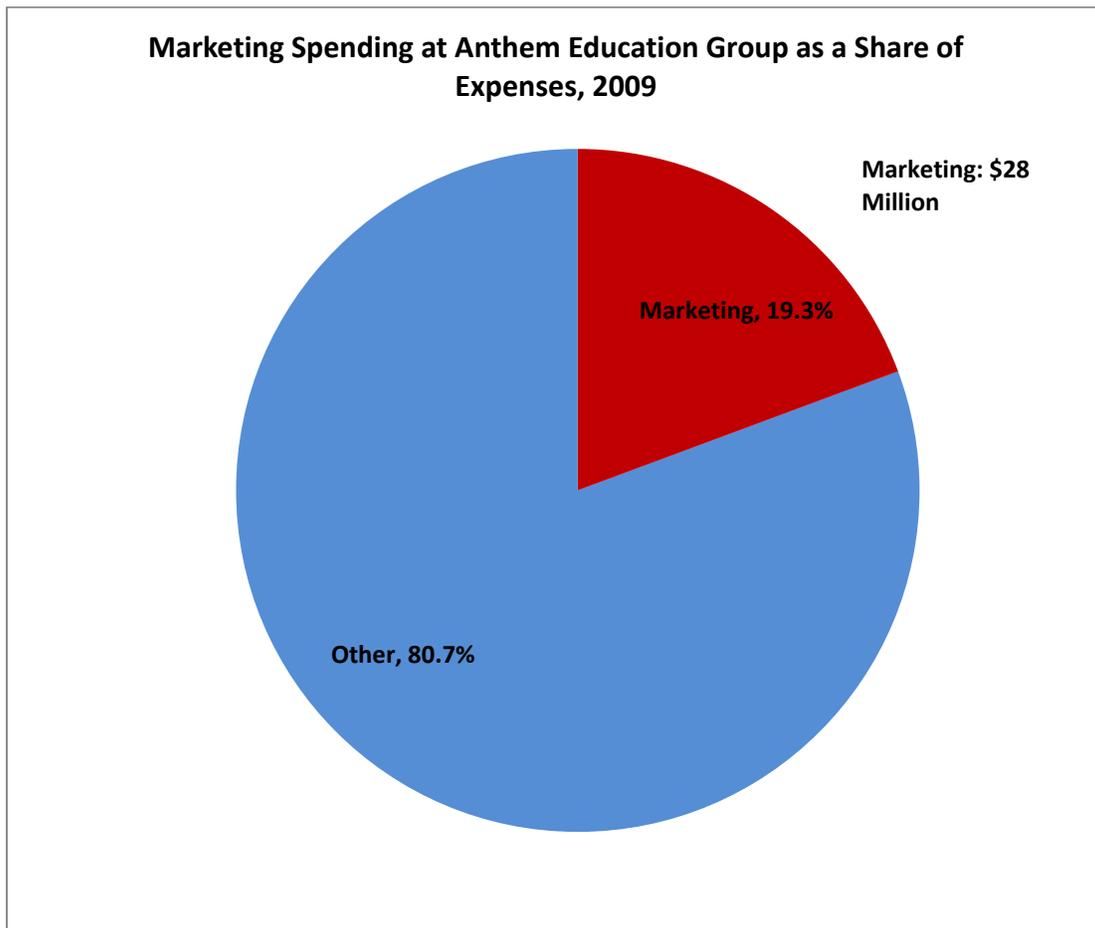
¹⁰³³ Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2001–2 and 2010–11, <http://federalstudentaid.ed.gov/datacenter/programmatic.html>.

¹⁰³⁴ Pell disbursements are reported according to the Department of Education’s student aid “award year,” which runs from July 1 through June 30 each year. Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2006–7 through 2009–10, <http://federalstudentaid.ed.gov/datacenter/programmatic.html>. See Appendix 13.

Spending

While Federal student aid programs are intended to support educational opportunities for students, for-profit education companies directed much of the revenue derived from these programs to marketing and recruiting new students and to profits. On average, among the 15 publicly traded education companies, 86 percent of revenue came from Federal taxpayers in fiscal year 2009.¹⁰³⁵ During the same period those companies spent 23 percent of revenue, or \$3.7 billion, on marketing and recruiting and 19.7 percent, or \$3.2 billion, on profit.¹⁰³⁶ These 15 companies spent a total of \$6.9 billion on marketing, recruiting and profit in fiscal year 2009.

In 2009, Anthem Education Company devoted 19.3 percent of its revenue, or \$28 million, to marketing and recruiting.¹⁰³⁷

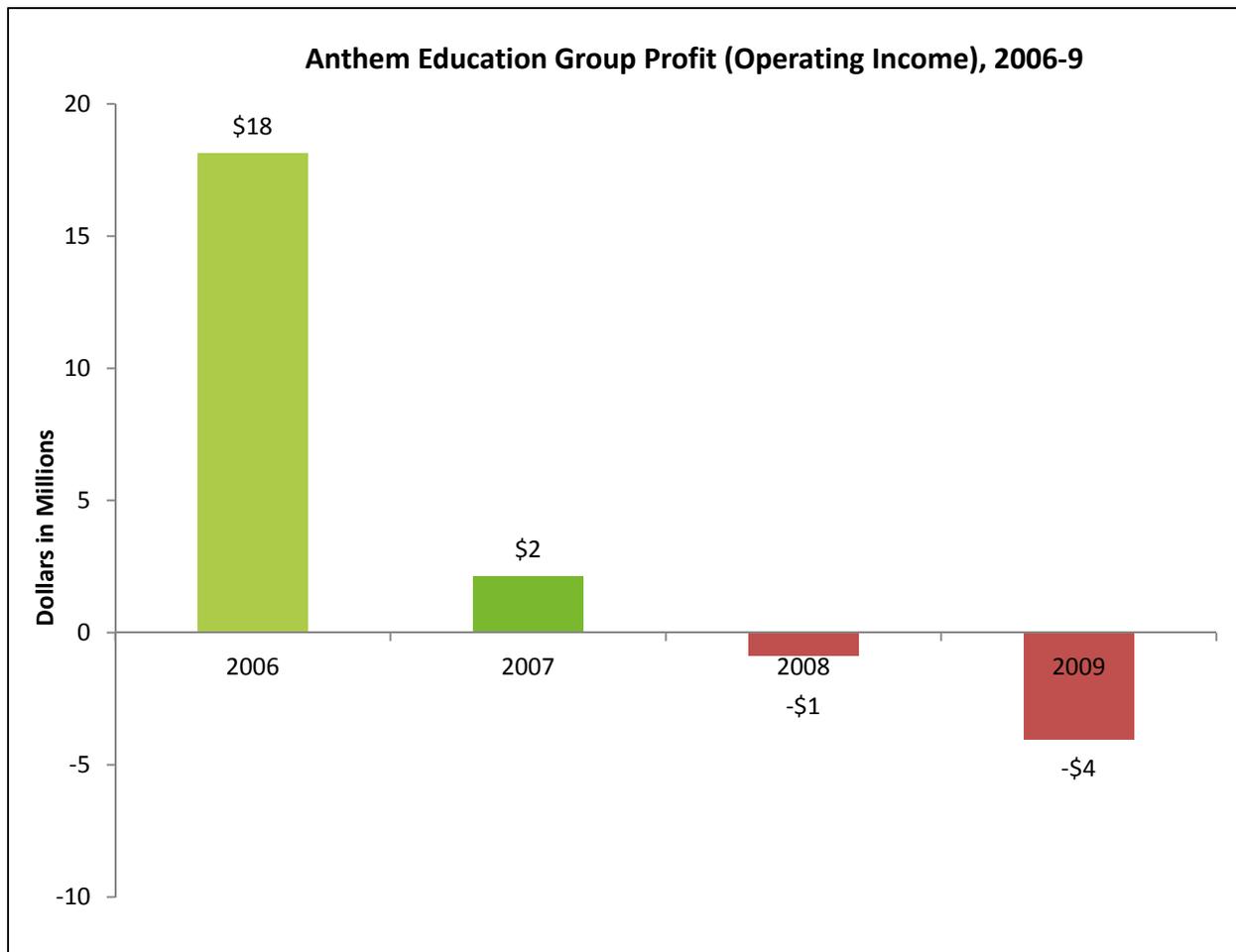


¹⁰³⁵ Senate HELP Committee staff analysis of fiscal year 2009 Proprietary School 90/10 numerator and denominator figures plus all additional Federal revenues received in fiscal year 2009 provided to the committee by each company pursuant to the committee document request of August 5, 2010.

¹⁰³⁶ Senate HELP Committee staff analysis of fiscal year 2009 financial statements and information provided to the committee by each company pursuant to the committee document request of August 5, 2010. Profit figures represent operating income before tax and other non-operating expenses including depreciation. Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel as reported to the committee. See Appendix 19.

¹⁰³⁷ Id. On average, the 30 for-profit schools examined spent 22.7 percent of revenue on marketing and 19.4 percent on profit. “Other” includes: instruction, faculty salaries, executive compensation, lobbying, student services, maintenance, administration, facilities and other expenditures.

Unlike most of the companies examined over the course of this investigation, the amount of profit Anthem generated dropped precipitously between 2006 and 2009. In 2008, Anthem began operating at a loss; the company’s expenses exceeded its revenue by \$1 million.¹⁰³⁸ By 2009, the company’s profitability further declined, and its expenses exceed its revenue by \$4 million.



Executive Compensation

As a privately held company, Anthem is not obligated to release executive compensation figures.

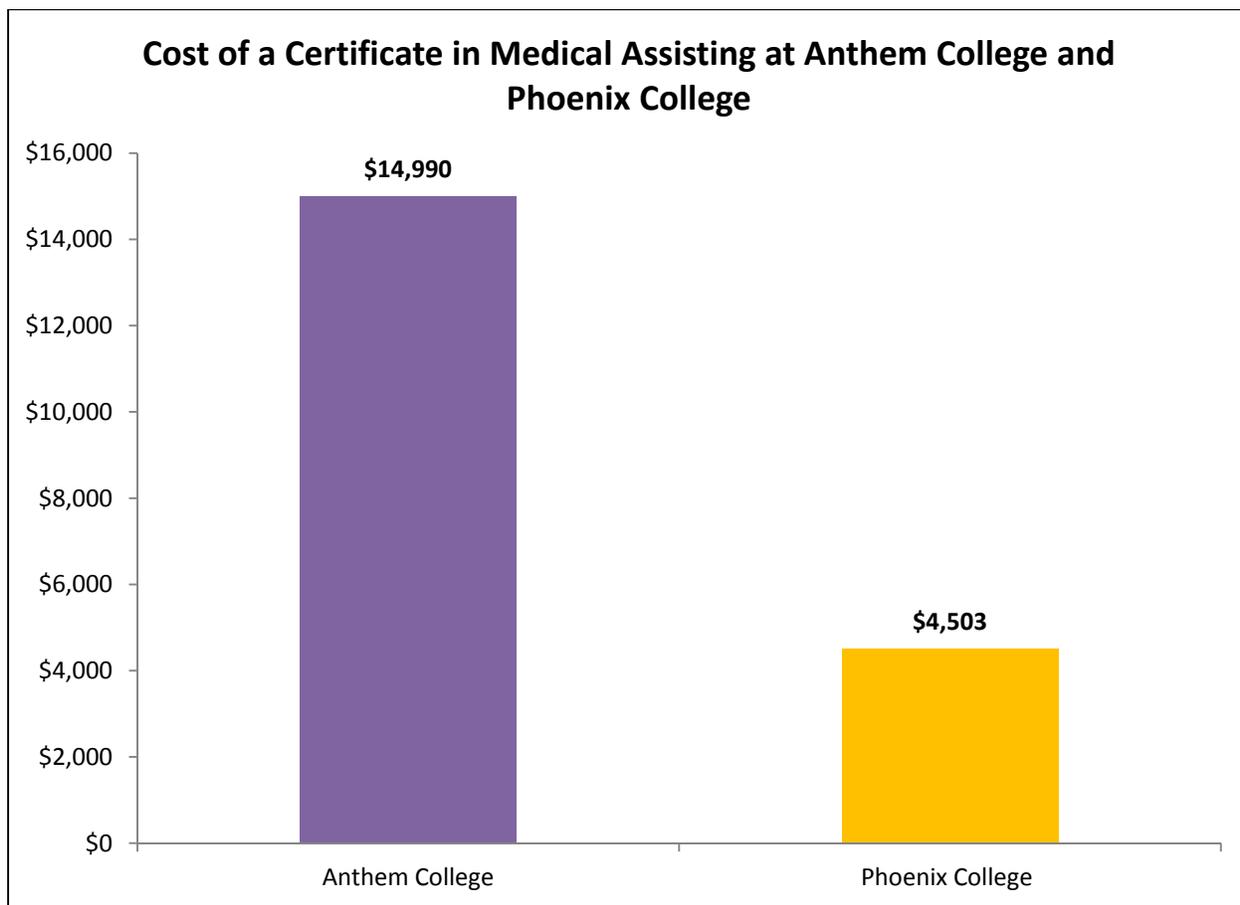
Tuition and Other Academic Charges

Compared to its public non-profit counterparts, the price of tuition is higher at Anthem. The typical cost of an Associate degree at Anthem is \$19,800. A Medical Assistant Diploma at Anthem College in Phoenix, AZ, costs \$14,990,¹⁰³⁹ more than triple the cost of the same Certificate at Phoenix College, the flagship of the Maricopa Community College system, where it costs \$4,503.¹⁰⁴⁰

¹⁰³⁸ Senate HELP Committee staff analysis. See Appendix 18.

¹⁰³⁹ See Appendix 14; see also, Anthem College, *Medical Assistant Diploma Program*, <http://anthem.edu/phoenix-arizona/medical-assistant/diploma/> (accessed June 14, 2012).

¹⁰⁴⁰ See Appendix 14; see also, Phoenix College, *Phoenix College*, <http://www.pc.maricopa.edu/> (accessed June 14, 2012).



The higher tuition that Anthem charges is reflected in the amount of money that Anthem collects for each veteran that it enrolls. From 2009 to 2011, Anthem trained 178 veterans and received \$1.8 million in post-9/11 GI bill benefits, averaging \$10,225 per veteran. In contrast, public colleges collected an average of \$4,642 per veteran trained in the same period.¹⁰⁴¹

Recruiting

Enrollment growth is critical to the business success of for-profit education companies. In order to meet revenue and profit expectations, for-profit colleges recruit as many students as possible to sign up for their programs.

An internal Anthem document lists the “characteristics of [a] typical student.” The full list reads: “Single parent, Economically Disadvantaged, Unemployed or underemployed, Individuals that lack an outside support system, Low Self Confidence, Low Self Esteem, Have a desire to prove to themselves and family their success.”¹⁰⁴²

One complaint filed with the attorney general of Missouri described Anthem’s aggressive recruiting tactics:

¹⁰⁴¹ See Appendix 11. Post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans’ Affairs via the Department of Veterans Affairs on July 18, 2011.

¹⁰⁴² Anthem Education Group, *AEG and the Education Industry*, (2AEG-HELP-14-00000996, at 2AEG-HELP-14-00001019).

I was used as a reference for a friend applying to Allied College, and they keep on calling me on my cell phone asking if I want info to attend the College. I told them nicely at least a dozen times I'm not interested in attending don't call back. They are threatening not to admit my friend if I don't call back.¹⁰⁴³

Anthem student complaints also express concern regarding misleading recruiting tactics employed by Anthem. Students complained that recruiters mislead in order to induce their enrollment. One such complaint reads:

We (my parents and myself) were given misleading information more than once at my intake meeting with [my recruiter]. We were told that my monthly cash payment would be \$50.00, upon receiving my financial paperwork, these payments were \$300.00 (a huge difference for an eighteen year old).¹⁰⁴⁴

Many student complaints assert that recruiters failed to inform prospective students of the accreditation status of various Anthem colleges.¹⁰⁴⁵ In a letter to High Tech Institute, a Minnesota assistant attorney general writes:

One of HTI's counselors ... assured her and her husband that HTI was accredited and urged her to take HTI's degree program instead of obtaining a diploma because she would be able to make more money and would be able to continue her education. [The student] states that she has since learned that she cannot obtain her Minnesota certification or transfer her credits to another school because HTI is not accredited. [The student] indicates that she and her husband are paying approximately \$20,000 in student loans relating to her coursework at HTI and that she has had to start her education all over again.¹⁰⁴⁶

Another student adds that:

At the intake meeting with [the recruiter], I was also told that Allied College was an "accredited" college and led to believe that most, if not all of my course credits, would be transferable to a Community College or a Four Year College. After I withdrew from Allied College, I enrolled in a Community College and was informed that the "accreditation" received for Allied was not recognized by any community or Four-Year College.¹⁰⁴⁷

¹⁰⁴³ Letter from attorney general of Missouri, to Allied College, February 9, 2007, (2AEG-HELP-05-00000509, at 2AEG-HELP-05-00000510). (The two Allied College campuses in St. Louis, MO, were renamed Anthem College in 2010).

¹⁰⁴⁴ Letter from [REDACTED] to High Tech Institute, February 6, 2008, (2AEG-HELP-05-00000206, at 2AEG-HELP-05-00000207).

¹⁰⁴⁵ Letter from Better Business Bureau to Allied Medical College, *RE: Case # 1307242*, October 13, 2006, (2AEG-HELP-05-00000158, at 2AEG-HELP-05-00000159). ("I had just wasted my money and time ... we felt betrayed, misled and lied to by the college. I wasted \$26,000 and time away from my children."); Letter from [REDACTED] to Western Regional President of High Tech Institute, April 08, 2008 (2AEG-HELP-05-00001402).

¹⁰⁴⁶ Letter from State of Minnesota Office of the Attorney General, to High Tech Institute, *Re: Consumer Complaint from [REDACTED]*, April 24, 2008 (2AEG-HELP-05-00000803); see also Letter from State of Minnesota Office of the Attorney General, to High Tech Institute, *Re: Consumer Complaint from [REDACTED]*, April 24, 2008 (2AEG-HELP-05-00000787) ("HTI told [the student] that HTI was accredited when in fact HTI accreditation was on probation ... HTI is giving a state exam that no one can be hired under as HTI is not AART certified."); Letter from Koliass Law Offices, to High Tech Institute, *Re: [REDACTED] – Student ID: 072GR18952*, January 14, 2008 (2AEG-HELP-05-00000096) ("it was only after he registered that you advised him that not only were you not accredited, but that you were currently on probation").

¹⁰⁴⁷ Letter from [REDACTED], to High-Tech Institute, February 6, 2008 (2AEG-HELP-05-00000206, at 2AEG-HELP-05-00000207-08).

Several other students explain that the recruiter misled them regarding the cost of tuition in the event a student chose to withdraw from the institution:

The school representatives ... mislead or did not inform us of any financial repercussions if [the student] were to leave. Secondly, the papers [the student] signed ... were very ambiguous about payments after withdrawal [sic].¹⁰⁴⁸

While student complaints may not be representative of the experience of the majority of students, they do provide an important window into practices that appear to be occurring.

Government Accountability Office Undercover Recordings

Undercover recordings made during GAO visits to the Anthem Institute in Pennsylvania show multiple instances of deceptive and misleading recruitment. In one instance, the admissions representative would not allow the undercover applicant to speak with a financial aid representative until after she enrolled.¹⁰⁴⁹

Student: “So, I *can* talk with financial aid before I do the enrollment and all that?”

Anthem representative: “You—you would finish the uh, enrollment. If you want to meet with them today you can.”

Student: “But I have to finish the enrollment and then meet with them?”

Anthem representative: “Right...normally the way it works is that we set up an appointment within 48 hours of when you enroll...”

In another instance, a financial aid representative fraudulently removed \$250,000 in savings the undercover applicant reported from his FAFSA form.¹⁰⁵⁰ This change would not have made the undercover applicant eligible for grants, but it would have made him eligible for loans subsidized by the government.

Outcomes

While aggressive recruiting and high cost programs might be less problematic if students were receiving promised educational outcomes, committee staff analysis showed that tremendous numbers of students are leaving for-profit colleges without a degree. Because 98 percent of students who enroll in a 2-year degree program at a for-profit college, and 96 percent who enroll in a 4-year degree program,

¹⁰⁴⁸ Fax from New Jersey Department of Labor and Workforce Development, to Director of Operations, Anthem Education Group, March 8, 2010 (2AEG-HELP-05-00000696, at 2AEG-HELP-05-00000699).

¹⁰⁴⁹ Audio Recording: Undercover Recordings of Visits by GAO Agents to For-Profit Schools, School 12, Scenario 1, at minute 50:58 and 52:02, available at <http://harkin.senate.gov/help/gao.cfm> (hereinafter GAO Audio Recording). At 50:58, prospective student is told she is required to sit with financial aid. At 52:02, this conversation begins.

¹⁰⁵⁰ GAO Audio Recording, School 12, Scenario 2 at 2:09:00 through 2:40:00. Changes to FAFSA start about 2:21:00. At 2:21:44, Anthem representative overtly suggests removing something from prospective student’s FAFSA/bank balance. At 2:40:05 Anthem representative tells prospective student that she will modify the FAFSA for him when it finishes processing.

take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.¹⁰⁵¹

Two metrics are key to assessing student outcomes: (1) retention rates based on information provided to the committee, and (2) student loan “cohort default rates.” An analysis of these metrics indicates that many students who enroll at Anthem are not achieving their educational and career goals.

Retention Rates

Information Anthem provided to the committee indicates that of the 11,044 students who were enrolled in Associate and Certificate programs at Anthem in 2008–9, 34.1 percent, or 3,762 students, withdrew by mid-2010.¹⁰⁵² Withdrawn students were enrolled a median of 3 to 4 months.¹⁰⁵³ Compared to the overall sector-wide rate of 54.1 percent for the 30 schools the committee examined, Anthem performed better than average.¹⁰⁵⁴ Looking at degree programs, Anthem’s Associate’s 43.6 percent withdrawal rate is significantly lower than the 62.8 percent sector-wide rate, whereas Anthem’s 33.5 percent Certificate withdrawal rate is slightly lower than the 38 percent sector-wide rate.

Status of Students Enrolled in Anthem Education Group in 2008-09, as of 2010						
Degree Level	Enrollment	Percent Completed	Percent Still Enrolled	Percent Withdrawn	Number Withdrawn	Median Days
Associate Degree	661	34.3%	22.1%	43.6%	288	116
Certificate	10,383	63.7%	2.8%	33.5%	3,474	95
All Students	11,044	62.0%	4.0%	34.1%	3,762	97

The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model. The analysis also does not account for students who withdrew after mid-2010 when the data was produced.

An analysis of withdrawal rates among the 11 companies that provided disaggregated data indicates that students attending online programs had higher withdrawal rates than students attending campus-based programs. Anthem students who enrolled in its online program between fall 2007 and spring 2010 had a 38.8 percent withdrawal rate, whereas their brick and mortar counterparts withdrew at a rate of 26.2 percent.

¹⁰⁵¹ Patricia Steele and Sandy Baum, “How Much Are College Students Borrowing?,” *College Board Policy Brief*, August 2009, http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf.

¹⁰⁵² Senate HELP Committee staff analysis. See Appendix 15. Rates track students who enrolled between July 1, 2008 and June 30, 2009. For-profit education companies use different internal definitions of whether students are “active” or “withdrawn.” The date a student is considered “withdrawn” varies from 10 to 90 days from date of last attendance. Two companies provided amended data to properly account for students that had transferred within programs. Committee staff note that the data request instructed companies to provide a unique student identifier for each student, thus allowing accurate accounting of students who re-entered or transferred programs within the school. The dataset is current as of mid-2010, students who withdrew within the cohort period and re-entered afterward are not counted. Some students counted as withdrawals may have transferred to other institutions.

¹⁰⁵³ Id.

¹⁰⁵⁴ It is not possible to compare student retention or withdrawal rates at public or non-profit institutions because this data was provided to the committee directly by the companies. While the Department of Education tracks student retention and outcomes for all colleges, because students who have previously attended college are excluded from the data set, it fails to provide an accurate picture of student outcomes or an accurate means of comparing for-profit and non-profit and public colleges.

Student Loan Defaults

Notably, the relatively low number of students leaving Anthem with no degree does not correlate with the high rates of student loan defaults by students who attended Anthem. The Department of Education tracks and reports the number of students who default on student loans (meaning that the student does not make payments for at least 360 days) within 3 years of entering repayment, which usually begins 6 months after leaving college.¹⁰⁵⁵

Slightly more than 1 in 5 students who attended a for-profit college (22 percent) defaulted on a student loan, according to the most recent data.¹⁰⁵⁶ In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.¹⁰⁵⁷ On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions. The consequence of this higher rate is that almost half of all student loans defaults nationwide are held by students who attended for-profit colleges.¹⁰⁵⁸

The default rate across all 30 companies examined increased each fiscal year between 2005 and 2008, from 17.1 percent to 22.6 percent. This change represents a 32.6 percent increase over 4 years.¹⁰⁵⁹ Anthem's 3-year default rate has remained fairly constant, hovering around 21.5 percent and reaching as high as 22.4 percent for students entering repayment in 2007.¹⁰⁶⁰ While Anthem's most recent default rate of 21.5 percent for students entering repayment in 2008 is slightly below the average for all for-profit colleges, it is 75 percent higher than the average default rate for all colleges.¹⁰⁶¹

¹⁰⁵⁵ Direct Loan Default Rates, 34 CFR 668.183(c).

¹⁰⁵⁶ Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005–8, <http://federalstudentaid.ed.gov/datacenter/cohort.html>. Default rates calculated by cumulating number of students entered into repayment and default by sector. See Appendix 16.

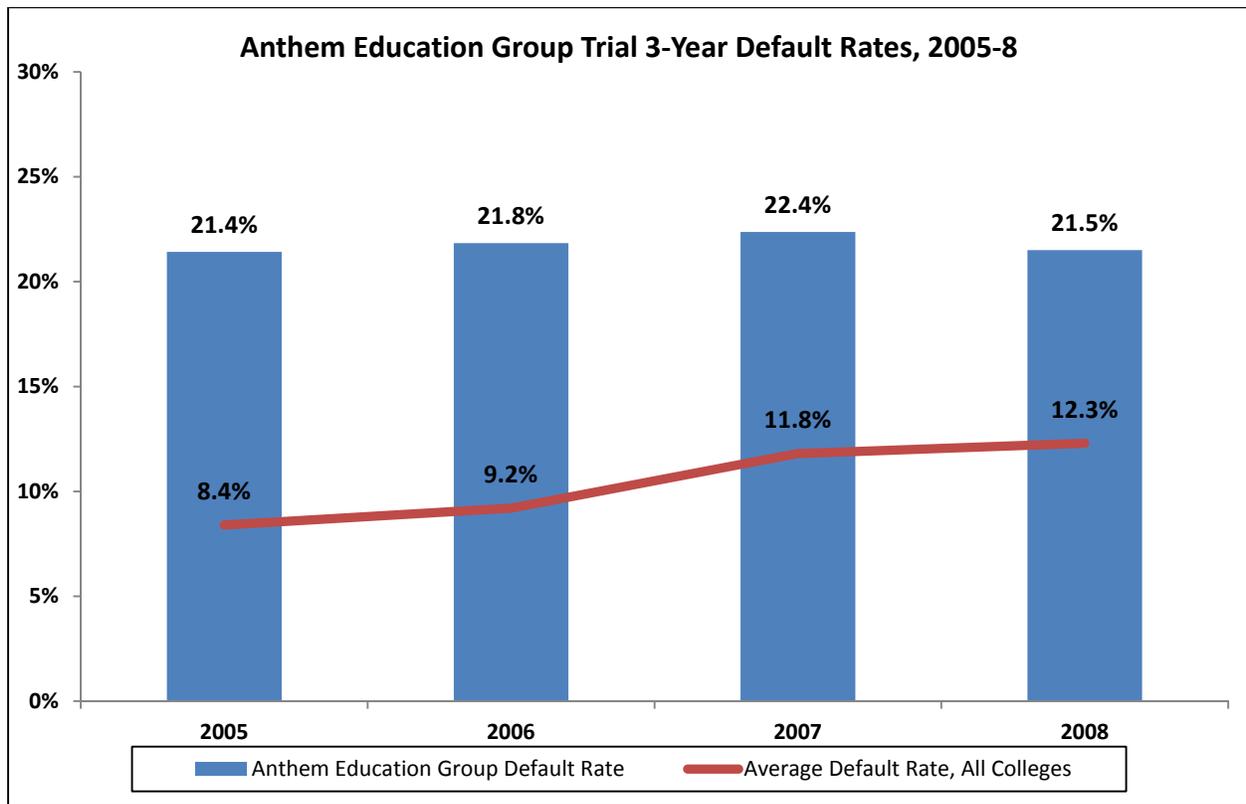
¹⁰⁵⁷ Id.

¹⁰⁵⁸ Id.

¹⁰⁵⁹ Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005–2008, <http://federalstudentaid.ed.gov/datacenter/cohort.html>. Default rates calculated by cumulating number of students entered into repayment and default for all OPEID numbers controlled by the company in each fiscal year. See Appendix 16.

¹⁰⁶⁰ Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005–8, <http://federalstudentaid.ed.gov/datacenter/cohort.html>. Default rates calculated by cumulating number of students entered into repayment and default by sector. See Appendix 16.

¹⁰⁶¹ Id. In 2008, the 3-year cohort default rate was 12.3 percent for all schools and 22.3 percent for the for-profit education sector.



Instruction and Academics

The quality of any college’s academics is difficult to quantify. However, the amount that a school spends on instruction per student compared to other spending and what students say about their experience are two useful indicators.

Anthem spent \$3,733 per student on instruction in 2009, compared to \$1,191 per student on marketing. The amount that privately held companies examined by the committee spend on instruction ranges from \$1,118 to \$6,389 per student per year.¹⁰⁶² In contrast, public and non-profit 4-year colleges and universities, generally spend a higher amount per student on instruction, while community colleges spend a comparable amount but charge far lower tuition than for-profit colleges. Other Arizona-based colleges spent, on a per student basis, \$11,128 at University of Arizona, \$10,219 at Midwestern University, and \$3,344 at Phoenix College.¹⁰⁶³

A large portion of the faculty at many for-profit colleges is composed of part-time and adjunct faculty. While a large number of part-time and adjunct faculty is an important factor in a low-cost education delivery model, it also raises questions regarding the academic independence they are able to exercise to balance the colleges’ business interests. Among the 30 schools the committee investigated,

¹⁰⁶² Drake College of Business (low end) and Chancellor University (high end) have been excluded from this calculation due to unreliability regarding the data.

¹⁰⁶³ Senate HELP Committee staff analysis. See Appendix 23. Many for-profit colleges enroll a significant number of students in online programs. In some cases, the lower delivery costs of online classes – which do not include construction, leasing and maintenance of physical buildings – are not passed on to students, who pay the same or higher tuition for online courses.

80 percent of the faculty is part-time.¹⁰⁶⁴ In 2009, Anthem employed 583 full-time and 341 part-time faculty.¹⁰⁶⁵

While Anthem employs a higher percentage of full-time faculty than much of the sector, student complaints raise concerns regarding the quality of instruction at Anthem colleges.¹⁰⁶⁶ One graduate from Anthem's Medical Assisting program writes:

The classes were all a joke to me, the instructors (some of the instructors do not have anything close to a formal teaching degree) would go over the tests word for word just before the test and give out detailed "study guides" that made the classes very easy ... I do not feel they taught me anything that is applicable....¹⁰⁶⁷

Another graduate concludes:

The bottom line is I would not recommend this program to ANYONE and hope that the employment that I seek in the technology field doesn't know anything about the state of the institution. I am embarrassed to say that I attended their program and possibly as embarrassed to say that I stuck it out to the end to 'graduate'.¹⁰⁶⁸

The most frequent complaint lodged by students expressed concern regarding the accreditation status of various Anthem colleges:

I'm finding out that no one will accept the credits nor the degree from Allied College because of who they are accredited by and because the curriculum does not meet the standards of a criminal justice degree.¹⁰⁶⁹

In May 2007, the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCCT) pulled High-Tech Institute's accreditation for its degree programs after placing the school on probation in January 2007.¹⁰⁷⁰ This meant that High-Tech Institute schools could not enroll new students in Associate degree programs and could only offer Diploma and Certificate programs. However, degree program students who were already enrolled in High-Tech Institute were allowed to complete their course work and receive a degree. Many students wrote about learning of High-Tech Institute's loss of accreditation after paying for and completing substantial coursework towards their degrees. One such student explains:

I was not informed that your accreditation had been lost before I had signed my contract. In addition, I was informed that I would have an Associates Degree upon graduation.

¹⁰⁶⁴ Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 24.

¹⁰⁶⁵ Id.

¹⁰⁶⁶ Letter from Bishop, Cunningham & Andres, Inc. to Campus President Bryman School of Arizona, *Re: [REDACTED]*, December 4, 2007 (2AEG-HELP-05-00000106, at 2AEG-HELP-05-00000107). ("[The student] does not feel she received the education she expected. There were too many students in class and very few lectures."); Letter from Student to Bryman School of Phoenix, February 10, 2008 (2AEG-HELP-05-00000144). ("The personal drama from the teachers interrupting my education was just the beginning").

¹⁰⁶⁷ Letter from Better Business Bureau to Allied Medical College, *Re: Case # 1310420*, November 22, 2006, (2AEG-HELP-05-00000166, at 2AEG-HELP-05-00000167).

¹⁰⁶⁸ Anthem correspondence, *Re: My Experience with The Chubb Insitute*, March 30, 2008 (2AEG-HELP-05-00000119, at 2AEG-HELP-05-00000126).

¹⁰⁶⁹ Letter from Better Business Bureau to Allied Medical College, *Re: Case # 1306201*, September 29, 2006 (2AEG-HELP-05-00000149, at 2AEG-HELP-00000150).

¹⁰⁷⁰ All three High-Tech Institute campuses were renamed Anthem College in 2010. These campuses are located in: Memphis, Tennessee, Nashville, Tennessee, and Las Vegas, Nevada.

After becoming a student and 3 months into the Dental program we were informed that the accreditation was lost and no Associates Degree would be awarded. Since the degree that I would need for a better paying job would not occur I feel that I was “duped” [sic].¹⁰⁷¹

An attorney for another High-Tech Institute student explains the transfer of credit issues his client and many other High-Tech students experienced due to the school’s loss of accreditation:

To make matters worse, it does not appear likely other schools are prepared to accept any credits [the student] has earned at your institution. The total cost for his tuition would exceed \$21,000.00 if he was graduating in March and he has already paid a substantial portion of it.¹⁰⁷²

While student complaints may not be representative of the experience of the majority of Anthem students, these complaints do provide an important perspective on Anthem’s academic quality.

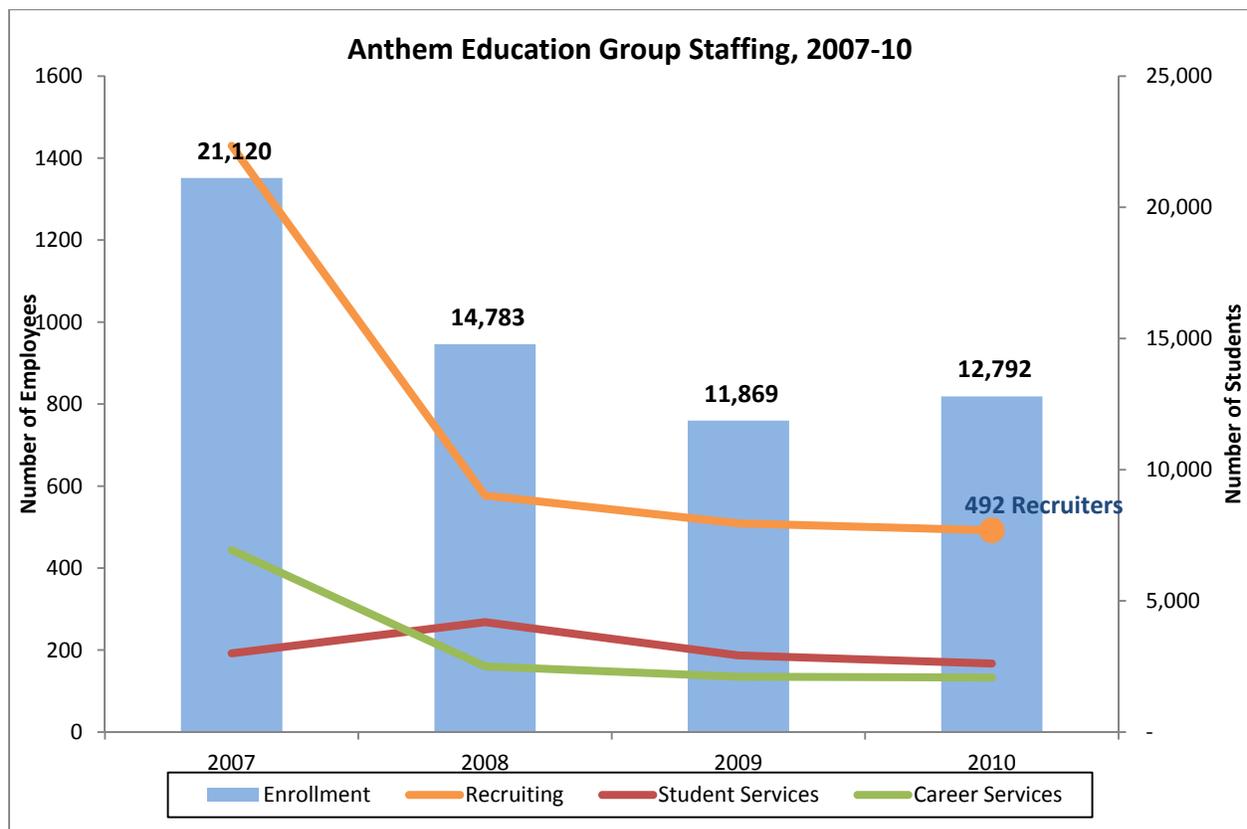
Staffing

While for-profit education companies employ large numbers of recruiters to enroll new students, the companies often have far less staff available to provide tutoring, remedial services or career counseling and placement. In 2010, with 12,792 students, Anthem employed 492 recruiters, 133 career services employees, and 167 student services employees.¹⁰⁷³ That means each career counselor was responsible for 97 students and each student services staffer was responsible for 76 students. Meanwhile, the company employed one recruiter for every 29 students.

¹⁰⁷¹ Letter to High Tech Institute, February 3, 2008 (2AEG-HELP-05-00000805, at 2AEG-HELP-05-00000810).

¹⁰⁷² Letter from [REDACTED] to High Tech Institute, *Re: [REDACTED]*, February 22, 2008 (2AEG-HELP-05-00000594).

¹⁰⁷³ Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 7 and Appendix 24.



Student complaints express dissatisfaction with the level of services available and the high rate of staff turnover.¹⁰⁷⁴ One student writes:

All that they care about is getting AS MANY ENROLLMENTS as necessary to keep the school open. The staff turnover at this college is TREMENDOUS. It seems as if a person will be hired and about 2-3 weeks into the position they find out what the college is REALLY like and how people are treated and how poor the quality of education is and they bail!¹⁰⁷⁵

Another student expressed disappointment with the services available to students given the high cost of tuition:

I think that if students are paying that much money to come to The Bryman School, we should all be entitled to the best education possible.... That means that for every 5 students they take in that's over \$100,000 dollars, and they would tell us they couldn't get us what we needed because "Corporate" wouldn't approve it?¹⁰⁷⁶

¹⁰⁷⁴ Letter from [REDACTED] to Bryman School of Phoenix, February 10, 2008 (2AEG-HELP-05-00000144). ("The frequent turnover and the constant need to regroup by each new hire took a toll on my and fellow classmates educational progress...I was delayed in starting my externship. There were no sites available due to the negative reputation of the school among the hospitals in the valley"); Letter from Florida Department of Agriculture and Consumer Services, to High Tech Institute *Re: [REDACTED]*, January 15, 2008 (2AEG-HELP-05-00000070, at 2AEG-HELP-05-0000072) ("We are very concerned about the quality of education being provided to our son ... It has been reported to us that there is not a consistent educator the Medical Massage Therapy Program").

¹⁰⁷⁵ Letter from Accrediting Bureau of Health Education Schools, to President of Allied College, December 19, 2008 (2AEG-HELP-05-00000276, at 2AEG-HELP-05-00000277).

¹⁰⁷⁶ Letter from Accrediting Commission of Career Schools and Colleges of Technology, to High-Tech Institute, *Re: The Bryman School – Phoenix, Arizona*, January 29, 2007 (2AEG-HELP-05-00001532, at 2AEG-HELP-05-00001539).

Several students complained that the career services office did not help them find leads or connect them with employers. One complaint notes:

When it came to job placement, there were many promises initially, but by the time it came time to actually get the job, the school only offered “hints” such as, “go look at websites.”¹⁰⁷⁷

While student complaints may not be representative of the experience of the majority of Anthem students, these complaints do provide an important perspective on the quality of Anthem’s student and career services.

Conclusion

Although Anthem stands apart from the majority of for-profit companies investigated because it is not profitable, the company exhibits many of the same practices of more successful companies. Most notably, the company’s recruiting tactics documented on the GAO undercover tape were some of the most troubling. Many of the company’s challenges stem from the loss of accreditation by some programs accompanied by a drop in enrollment as the result of the closure of those campuses. While Anthem’s retention rates are higher than those at many companies examined, the company’s high student loan default rates suggest that students completing its programs may not be able to obtain employment or salaries that enable them to repay the student loan debt they incur. Taken together, these outcomes cast serious doubt on whether Anthem students are receiving an education that affords them adequate value relative to cost, and call into question the \$112 million investment American taxpayers made in the company in 2010.

¹⁰⁷⁷ Letter from Bishop, Cunningham & Andres, Inc. to Campus President Bryman School of Arizona, *Re: [REDACTED]*, December 4, 2007 (2AEG-HELP-05-00000106, at 2AEG-HELP-05-00000107).