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Reorienting Colleges Toward Student-Centered Practices

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Restoring Social Trust in Democracy, College, Career, and Civic Readiness, Education, +5 More

Colleges, universities, and policymakers can draw lessons from the evolution of patient-centered care in the health care system to create a more responsive and inclusive higher education system.

A student sits in a college lecture hall at the University of Texas at Austin, February 22, 2024. (Getty/Brandon Bell)

Introduction and summary

As policymakers in the higher education policy community look for ways to improve the higher education system so that it better meets students' needs, they should draw on lessons from the health care sector and its patient-centered care model. By focusing on the holistic needs of individuals, the patient-centered model has helped health care providers become more responsive and inclusive. A similar approach that centers the comprehensive needs of students could benefit higher education institutions.

This report introduces two proposals designed to reorient institutions of higher education toward student-centered practices. The first proposal recommends that colleges and universities allocate the majority of their tuition revenue to direct student instruction and support services. Financial decisions within educational institutions should reflect a commitment to student success. Unfortunately, however, many colleges allocate significant funds to nonessential areas, undermining their educational mission. By focusing spending on instruction and student services, institutions can better support their students' academic, personal, and professional growth.

The second proposal calls for greater transparency in reporting student outcomes. By providing clear and comprehensive data on completion rates and credit accumulation, colleges can help students make informed decisions about their education choices. This transparency would also hold institutions publicly accountable, encouraging them to improve support structures and address disparities in student success.

Moving to student-centered models

In recent years, the higher education system in the United States has faced significant scrutiny regarding its accessibility, effectiveness, and adaptability to students' diverse needs. To address these challenges, institutions of higher education and those to whom they answer—the U.S. Department of Education or the federal government more broadly—can draw lessons from the evolution of patient-centered care in the health care system to create a more responsive and inclusive higher education system.

Patient-centered care takes patients' needs and values into account in clinical decision-making. When this idea emerged in the mid-20th century, it was novel: Up to that time, health care providers worked from an illness-centered paradigm, focusing on the diagnosis and treatment of disease and pathology rather than on the patient as a whole person.[1] The patient-centered approach has resulted in personalized care, greater patient satisfaction, higher levels of self-reported health, and improved clinical outcomes.[2] While long-standing systemic biases still permeate health care and can influence how patient-centered care is implemented, the model's overall impact has been positive.[3] The patient-centered care model reflects an intentional effort to embed into medical practice an emphasis on empathy, communication, and cultural competence.[4]

Just as patient-centered care reorients health care systems to focus on the whole patient, student-centered education can shift the paradigm from viewing learning as a transaction between expert and student to seeing it as a collaborative process that considers and involves the whole student. This practice is beneficial at all levels of education, from early grades through postsecondary. If institutions of higher education such as colleges and universities apply student-centered thinking to their organization, operation, and accountability structures, they can better meet the needs of their communities. Student-centered institutions should be designed to address not just the activity of learning but also the broader context of students' lives, including their personal, social, and emotional development.

A student-centered institution that emphasizes things like empathy and cultural competence in its operations depends on many factors. Two factors—centering students in budgets and providing students and the public with better information on course and program completion rates—are discussed below.

Colleges should center students in their budgets

Spending on student instruction and support is linked to improved outcomes, including in academic performance, persistence, and completion rates.[5] It follows, then, that colleges that prioritize student success will reflect this in how they allocate resources around campus.[6]

Even so, the standard way the "best" colleges are identified is through their applicant acceptance and rejection rates. The assumption that highly selective colleges are better is flawed and generally not applicable to the vast majority of colleges in the United States, which accept just about everyone who applies. A more meaningful measure to help students—and regulators—compare quality within the higher education sector is how much a college spends on educating and supporting each student. After all, while the public may assume they would get a comparatively better education at a highly selective institution, the reason that may be true has more to do with how those institutions invest in educating each student and less to do with the applicant rejection rate.[7] This aligns with the intuitive idea that you get what you pay for—and in this case, the student gets what their institution is willing to invest in them. Knowing this, a school interested in graduating successful students would devote as many resources as possible toward student instruction and support.

Considering the medical loss ratio rule

In 2010, the Affordable Care Act (ACA) established the 80/20 rule, also known as the medical loss ratio (MLR), which requires health insurance companies to spend at least 80 percent of premium dollars—the amount insured individuals and/or their employers pay directly to the insurer—on medical care and health care quality improvement, rather than on administrative costs, marketing, or profits.[8] For large group plans, the requirement is 85 percent. If insurance companies do not meet these requirements, they must rebate the difference to policyholders.

Since its implementation, the 80/20 rule has led to billions of dollars in rebates to consumers, ensuring that a larger share of their premiums is spent on their health care.[9] While imperfect—indeed some health insurance companies appear to have taken on the issuance of rebates to policyholders as a cost of doing business—the overall net impact on patients and on incentivizing insurers to organize themselves in a patient-centered way is positive.[10]

Before the ACA, most health insurers already had medical loss ratios within the 80 percent range, though these varied depending on the market.[11] Yet in the years immediately after the ACA took effect, insurers' overall MLRs improved, demonstrating that a higher percentage of premium revenues were being used for patient care rather than administrative expenses or shareholder profit.[12] It is possible that the MLR rule contributed to health insurance market consolidation since it is easier for larger, established insurers to comply with MLR requirements than it is for smaller competitors.[13] That said, however, the difficulty some insurers face in providing patient-centered care under the MLR requirements could be more a function of the for-profit organization of U.S. health insurance companies than of their size. For-profit insurance companies face an eternal struggle of balancing patient care with the need to generate profit for shareholders. This can create conflicts of interest where the emphasis on profitability could undermine the quality of care or service.

Similarly, colleges must weigh supporting students with the need to generate profit. But an important difference to consider when applying the medical loss ratio concept to education is that colleges provide the education and benefits of enrollment to students who pay them directly, while health insurance companies are more akin to brokers or middlemen that charge a fee for access to medical care which is in turn provided by an independent or separately affiliated provider.

Applying a loss ratio to higher education

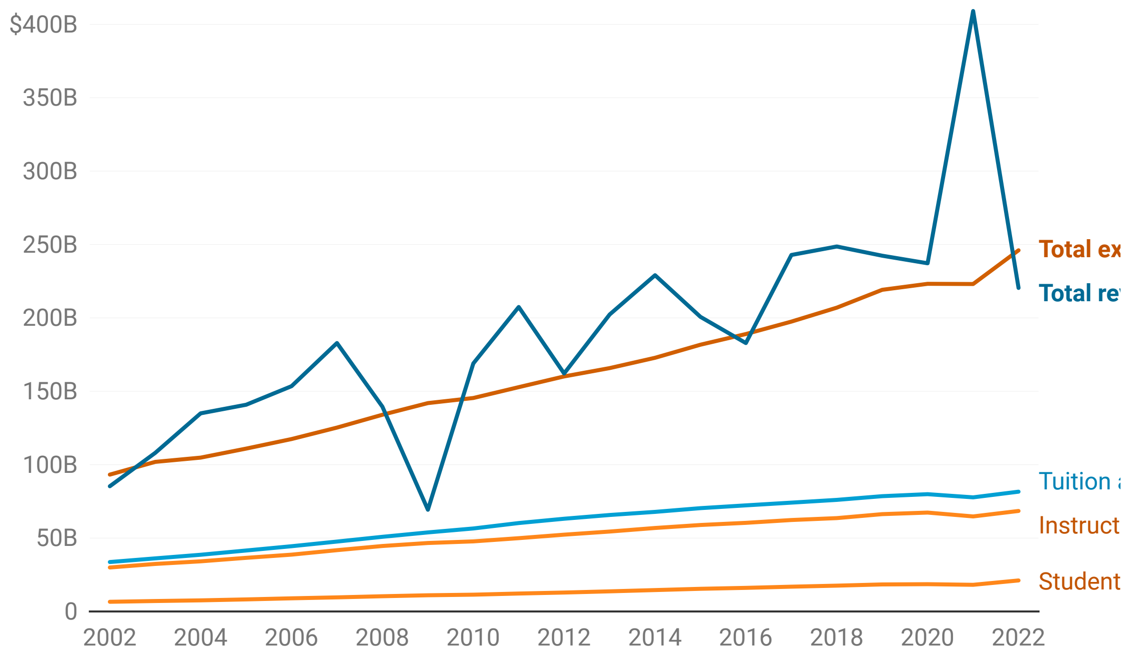
The medical loss ratio rule is not perfect, but it sets a minimum standard by requiring insurers to spend most of their revenue on policyholders and ensures patients get a baseline value in return for their premium dollars. This accountability helps control costs and directs funds toward patient care. Similarly, an education loss ratio rule for higher education would require colleges to spend the majority of their tuition revenue teaching and supporting students. While this may seem obvious, many institutions fail to do so, instead directing significant funds to areas that do not directly benefit student outcomes. Budgets reflect priorities, and institutions that prioritize student learning and success allocate resources accordingly.

As seen in Table 1 below, nonprofit colleges and universities have consistently increased their total expenses over the past two decades, though the portion allocated to instruction and student services has remained relatively stable. Tuition and fee revenue has contributed less to overall revenue compared with other sources over time, highlighting the diversified income streams of nonprofit institutions.

TABLE 1

Total expenses of private nonprofit postsecondary institutions have grown steadily, while tuition and fees have contributed less to overall revenue over time

Expenses of private nnprofit postsecondary institutions using the standards of the Financial Accounting Standards Board (FASB), by functional expense category



Hover or click to see values.

Notes: This chart presents data collected from Title IV institutions in the United States. Prior to FY 2010, the data include only Title IV postsecondary institutions. Beginning in 2010, the data include all Title IV institutions, postsecondary or otherwise. Amounts displayed are in current dollars.

Source: National Center for Education Statistics, "Trend Generator: Institutional Revenues, Institutional Expenses," finance component final data (fiscal years 2002–2021) and provisional data (fiscal year 2022) (last accessed January 2025).

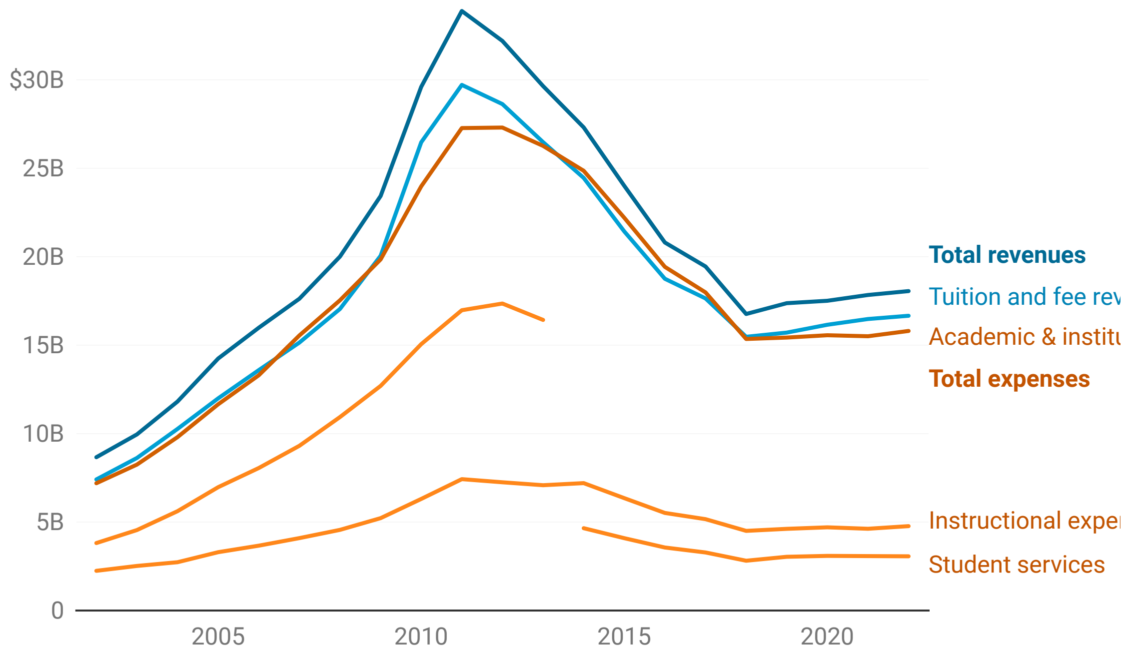
Chart: Center for American Progress

For-profit colleges and universities show a different pattern. Their total revenues and expenses peaked around 2010, followed by a decline and subsequent stabilization (see Table 2). Instructional expenses have remained consistent, even as overall revenues and other expenses have fluctuated. This consistency suggests a commitment to maintaining spending on instruction despite market and regulatory changes, and at the very least the overall gap between tuition revenue and instructional expenses narrowed over the past decade. Tuition and fee revenue closely tracks total revenues, underscoring that tuition is the primary revenue source of for-profit colleges.

TABLE 2

Tuition and fee revenue remains the primary revenue source for private for-profit postsecondary institutions

Expenses of private for-profit postsecondary institutions using the standards of the Financial Accounting Standards Board (FASB), by functional expense category



Hover or click to see values.

Notes: Beginning in fiscal year 2014, the combined functional expense category of: academic and institutional support and student services are reported by detailed categories and are not displayed beginning with FY 2014. This table presents data collected from Title IV institutions in the United States. Prior to FY 2010, the data include only Title IV postsecondary institutions. Beginning in 2010, the data include all Title IV institutions, postsecondary or otherwise. Amounts displayed are in current dollars.

Source: National Center for Education Statistics, "Trend Generator: Institutional Revenues, Institutional Expenses," finance component final data (fiscal years 2002–2021) and provisional data (fiscal year 2022) (last accessed January 2025).

Chart: Center for American Progress

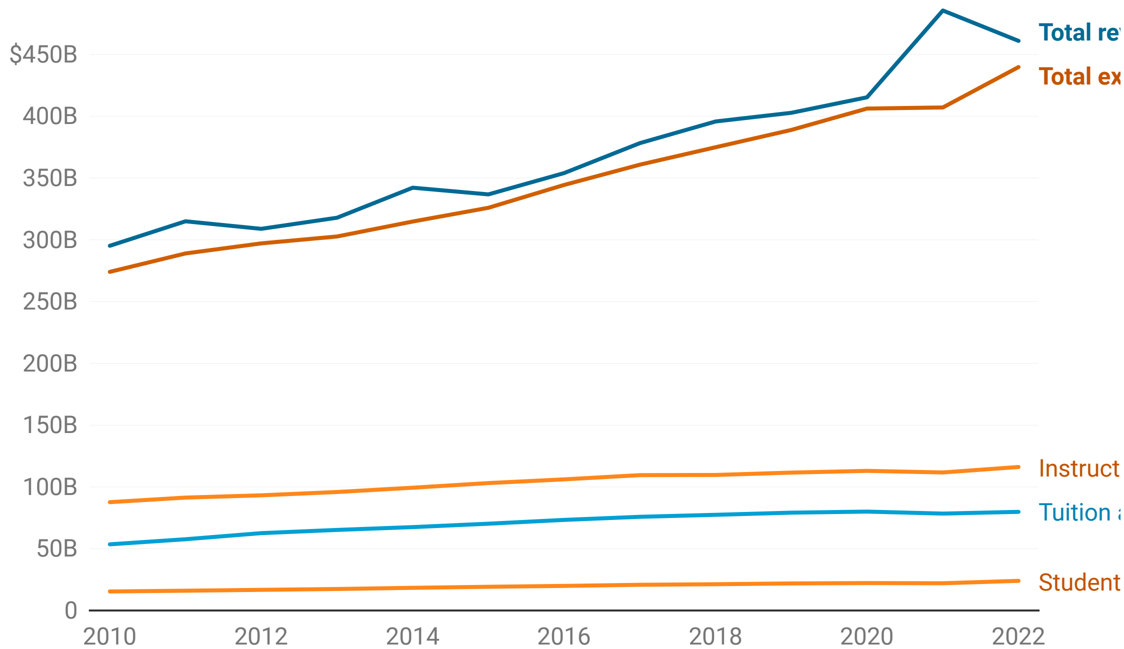
As shown in Table 3, public colleges and universities exhibit a steady increase in both total revenues and expenses, maintaining a balanced budget over the years. Instruction and student services expenses have risen, though not as quickly as overall revenues and expenses. Public institutions also allocate significant funds to research and public service, reflecting their broader missions beyond education. Tuition and fee revenue has increased but remains a smaller portion of total revenues—similar to nonprofit institutions—indicating multiple revenue sources, including public appropriations. Because of these, many public institutions are able to spend more on instructing students than they must charge them in tuition and fees.

TABLE 3

Tuition and fee revenue and student instruction and support services expenses remained steady, while

overall revenues and expenses have increased at a sharper pace

Expenses of public postsecondary institutions using Government Accounting Standards Board (GASB) standards, by functional expense category



Hover or click to see values.

Notes: This table presents data collected from Title IV institutions in the United States. Amounts displayed are in current dollars.

Source: National Center for Education Statistics, "Trend Generator: Institutional Revenues, Institutional Expenses," finance component final data (fiscal years 2002–2021) and provisional data (fiscal year 2022) (last accessed January 2025).

Chart: Center for American Progress

Given the role of tuition revenue in student success and the importance of returning a baseline level of value to students, colleges should be required to direct the majority of it to instruction and student support. This idea has long-standing, widespread appeal, with a number of policymakers putting forward versions of this proposal in recent years. In 2019, Sen. Chris Murphy (D-CT) proposed using instructional spending data to screen to understand and respond to institutional outcomes.[14] Sens. Maggie Hassan (D-NH) and Dick Durbin (D-IL) introduced a bill in 2019 that would have also addressed colleges that do not invest adequately in student success.[15] Similarly, a 2019 House proposal to reauthorize the Higher Education Act would have imposed certain limitations on institutions that spent little on instruction.[16] And, in 2020, the state of Maine began requiring for-profit colleges to maintain certain instructional spending levels.[17] Each of these proposals also included important data collection elements to facilitate implementation.

Implementing an education loss ratio rule

For students wanting to make sense of institutional finances—or what they are getting for their money—the amount of tuition dollars collected by a school is a logical reference point. Tuition directly ties to students and their families, as do any grants or loans used to finance attendance. Instituting required instructional and student support spending levels can help keep tuition prices in check. By reinvesting tuition dollars into high-quality instruction and student services, institutions can justify their costs while ensuring that what they spend on students outweighs what they pass on to advertising platforms, executives, or shareholders. Transparency around the use of tuition funds will act as a positive incentive to build trust with students and parents by showing that their financial contributions directly enhance their educational experiences and outcomes. This focus on tuition dollars also keeps the metric straightforward and relevant, even in cases where schools have complex finances involving auxiliary enterprises, such as hospitals, or investments, such as endowed funds.

Federal policymakers have a couple of options for implementing an education loss ratio. One would require changes to the way federal higher education data are collected. Among other things, the Integrated Postsecondary Education Data System (IPEDS) collects information on college revenues and expenses, including tuition revenue and spending on instruction. However, it does not currently provide a clear picture of how much schools invest in supporting student success, outside of classroom instructional costs. The IPEDS category for student services is blurred because—on top of accounting for "activities whose primary purpose is to contribute to students emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program"—it includes expenses related to attracting and enrolling new students, including from admissions, recruitment, marketing, and advertising.[18]

To address this, federal officials should revise the IPEDS data collection instruments by separating spending on student support from other expenses such as marketing and admissions. Marketing and admissions functions are important but do not directly impact how enrolled students are supported. Lawmakers and federal education data managers have shown interest in revising these surveys in the past.[19] Improved data collection would help researchers understand the links between expenditures and outcomes, for example. Because IPEDS data are not currently used to verify compliance with federal higher education requirements, the U.S. Department of Education should also revive a 2023 proposal to have institutions include this information in annual audited financial statements.[20]

Others with a stake in institutional resource allocation might consider tuition revenue a less relevant denominator in this equation. For example, states and local governments that provide funding to institutions, either via direct appropriations or financial aid programs, may want to understand or set a standard for how those funds are allocated at the institution level. Similarly, these stakeholders may also be interested in a more granular analysis of internal resource distribution either by level, such as undergraduate or graduate, or along the lines of academic fields, departments, or divisions. In these cases, the denominator would need to be retooled, but the numerator—the amount of funds allocated to instruct and support enrolled students—would remain the same.

Requiring colleges to allocate a certain portion of their budgets to instruction and student support would have varied impacts, but students would come out on top no matter what. In the worst-case scenario, tuition prices would stay flat, and schools would maintain the status quo. In the best-case scenario, schools would increase faculty salaries, increase the proportion of their faculty that are full-time or on the tenure track, enhance support for faculty work, invest in upgraded facilities or learning materials, invest in student support, lower spending on advertising, and keep administrative bloat in check, among other efforts.[21] By aligning institutional finances with the mission of supporting student success, colleges would demonstrate their commitment to providing quality education.

The medical loss ratio concept can be used when considering how much of a school's budget should be spent directly on student instruction and support services. Of course, the concept has its limitations, as education funding comprises numerous categories that might not be easily captured by a single ratio. And in some cases, institutions simply lack adequate funding to both keep the lights on and invest fully in student instruction and support.[22] In other cases, institutions—namely historically Black colleges and universities (HBCU)—invest more in student support than their non-HBCU counterparts despite a legacy of withheld public funds.[23] Systematic use of college spending data can identify these kinds of disparities so they may be addressed.

Prior to implementation of the ACA's MLR rule, fewer than half of insurers in the individual market would have been compliant with the standard. The MLR rule raised the value the patients with these insurance plans receive to be on par with the value patients get from insurers in the large group market.[24] An education loss ratio would similarly help level the playing field in the education sector. When colleges spend money on nonessential activities, they drive up prices for students and drive down their own spending on instruction and activities that support student success. Mandating that schools spend the majority of tuition revenue on students—whether the directive comes from federal, state, or local regulators—can drive a shift in focus to where it belongs: on providing quality education and robust support services.

Students should be able to see themselves in college outcome data

A college's completion rate—the proportion of students who complete a program in a specified time—can also provide information about shifting enrollment patterns and help to identify schools that consistently and effectively support students.[25]

When used in a way that appropriately matches a college's mission, completion rates can help prospective and current students get a sense of the level of quality on offer. Historically, when access to funding hinged on a school maintaining certain completion and graduation rates, predatory institutions falsely inflated theirs.[26] That is why it is important to avoid tying completion rates directly to high-stakes consequences, such as eligibility for federal aid.[27] Even so, research shows that graduation rates reflect causal differences across colleges,[28] so at the moment, graduation rates remain a useful proxy for quality. As such, students should have access to institution and program graduation rate information, and that information should be taken into consideration when regulators assess quality.

Similarly, completion rates of credits or courses attempted should be included in a student-centered framework because they provide a nearly real-time indicator of progression to graduation, student support levels, and student satisfaction.[29] Though limited, research available on credit completion rates shows gaps along lines including race, ethnicity, gender, and institution type.[30]

A 2022 National Student Clearinghouse (NSC) analysis of more than 900,000 students' credit completion progress found that on average, students earned around three-fourths of the credits they attempted.[31] That rate varied by race, full-time and part-time enrollment status, degree sought, and institution type. For example, while the average credit completion rate for all students was 76 percent, the rate for Black students dropped to 67 percent, and the rate for American Indian and Alaska Native students was 68 percent. Native Hawaiian and Other Pacific Islander students had an average completion rate of 73 percent, and Hispanic students had an average rate of 74 percent. White and Asian students' average credit completion rates were higher than average, at 80 percent and 84 percent, respectively.[32]

TABLE 4

Credit completion rates by race and ethnicity or immigration status, 2019-20 academic year

	All first-time, first-year students	First-time college students	First-time transfer-in students
Nonresident	84.1%	81.5%	88%
Asian	83.5%	83.5%	83.5%
White	79.8%	78.5%	82.1%
Two or more races	73.8%	72.5%	76.2%
Hispanic	73.6%	71.4%	78.6%
Native Hawaiian or other Pacific Islander	72.8%	68.6%	80.1%
American Indian or Alaska Native	67.8%	65.5%	72.6%
Black or African American	66.8%	64.6%	70.6%

Source: National Student Clearinghouse, "PDP Insights: Credit Accumulation and Completion Rates among First-Year College Students" (Herndon, VA: 2022), available at https://nscresearchcenter.org/wp-content/uploads/PDPInsightsReport.pdf.

Chart: Center for American Progress

In general, female students exceeded their male peers on credit completion, but there were differences when the data were disaggregated by race. When examining the gap between female and male students earning 15 credits in their first year, there was only a one percent gap between white female and white male students, while the gaps between Hispanic women and men and Black women and men were five and four percent, respectively.

TABLE 5

Credit completion rates by gender, 2019-20 academic year

	All first-time, first-year students	First-time college students	First-time transfer students
Fema	78%	76.5%	80.5%
Male	73.4%	71.5%	77.5%

Source: National Student Clearinghouse, "PDP Insights: Credit Accumulation and Completion Rates among First-Year College Students" (Herndon, VA: 2022), available at https://nscresearchcenter.org/wp-content/uploads/PDPInsightsReport.pdf.

Chart: Center for American Progress

Credit completion rates also varied by institution type. The NSC study on credit completion included public and private nonprofit four-year institutions and public two-year institutions. It found lower than average credit completion rates at two-year institutions, with a rate of 70 percent, and higher than average credit completion rates at public and private nonprofit four-year institutions, with rates of 81 percent and 86 percent, respectively.

The U.S. Department of Education requires institutions to establish policies outlining satisfactory academic progress for students to remain eligible for federal financial aid.[33] Most colleges enforce this by requiring students to maintain a particular grade point average or credit completion rate—often at least 67 percent of attempted credits. However, such metrics are not reported at the institution level. Given the gaps found in the NSC analysis, credit completion rates may provide valuable information to students and regulators. To improve both student awareness and institutional accountability, credit completion rates should be measured and published each enrollment period at the institutional and program levels and should be broken down by race, ethnicity, and gender, as well as by full-time or part-time and in-person or distance education enrollment status.

Just as patient-centered care strives to provide individualized treatment that improves health outcomes and satisfaction, student-centered approaches would provide students with nuanced completion rate data that tells them about their likelihood of success at a particular institution or program. Credit completion rate data would help students evaluate how they might fare at different institutions, thus helping them to make more informed choices about where to attend.

Implementing a recognition program based on credit completion rates

Of course, information alone does not sufficiently guide students in making effective college choices.[34] Because the American higher education market is large, varied, and notoriously riddled with information asymmetry, students are at a significant disadvantage compared with institutions, which are fully informed of their competitors as well as the academic and financial footing of their applicants.[35] Therefore, publishing nuanced completion rate data alone would not suffice. The U.S. Department of Education should use credit completion rate data to implement a recognition program for colleges that is like the National Blue Ribbon Schools Program, which honors K-12 schools for overall excellence and for progress in closing achievement gaps among student subgroups.[36] Colleges should be recognized for achieving high credit completion rates across diverse demographic groups and high levels of enrollment of full- and part-time students. Such recognition would serve as an indicator that is easier to understand than detailed data tabulations, so students may be more likely to rely on it when making enrollment decisions.

Lawmakers have already acknowledged the value of these policies through the strongly bipartisan College Transparency Act, which would fill gaps in the U.S. higher education data infrastructure and ensure the Education Department produces "measures of student progression" such as retention and completion rates, credit accumulation rates, and average time to completion.[37]

Finally, nuanced completion rate data would also allow educational institutions to internally identify specific areas, programs, or courses where students, faculty, and instructional staff may need additional support. This can lead to targeted interventions—such as course redesign, tutoring, academic advising, and mental health services—which can help students complete their courses successfully while also raising the overall outcomes of the institution.

Conclusion

Students benefit the most when they attend institutions that center them in financial and resource allocation decisions. By allocating tuition revenue toward student instruction and support, colleges and universities can better serve students, and students are in turn more likely to earn each credit taken. By drawing inspiration from the patient-centered model in health care and requiring institutions to align their budgets with their missions, schools are more likely to meet the targeted measures of success for which the public holds them accountable.

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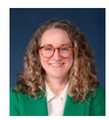

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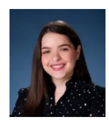

TEAM

Higher Education Policy

The Higher Education team works toward building an affordable and high-quality higher education system that promotes economic mobility, racial equity, and a strong democracy.