

NACCAP Financial Aid Optimization Event

How We Got Here: Trends in Higher Ed Pricing + Aid

FRIDAY, JUNE 23, 2023

Presenter

Mike Keane

SVP, Modeling & Client Strategy

- Background in quantitative modeling, enrollment research, and financial aid
- Ph.D. in Political Science, knows little about politics
- The Influential and Resilient Energizer



agenda

1. Where We Are
2. How We Got Here
3. Where Are We Headed?
4. Questions + Answers

How did we get here?

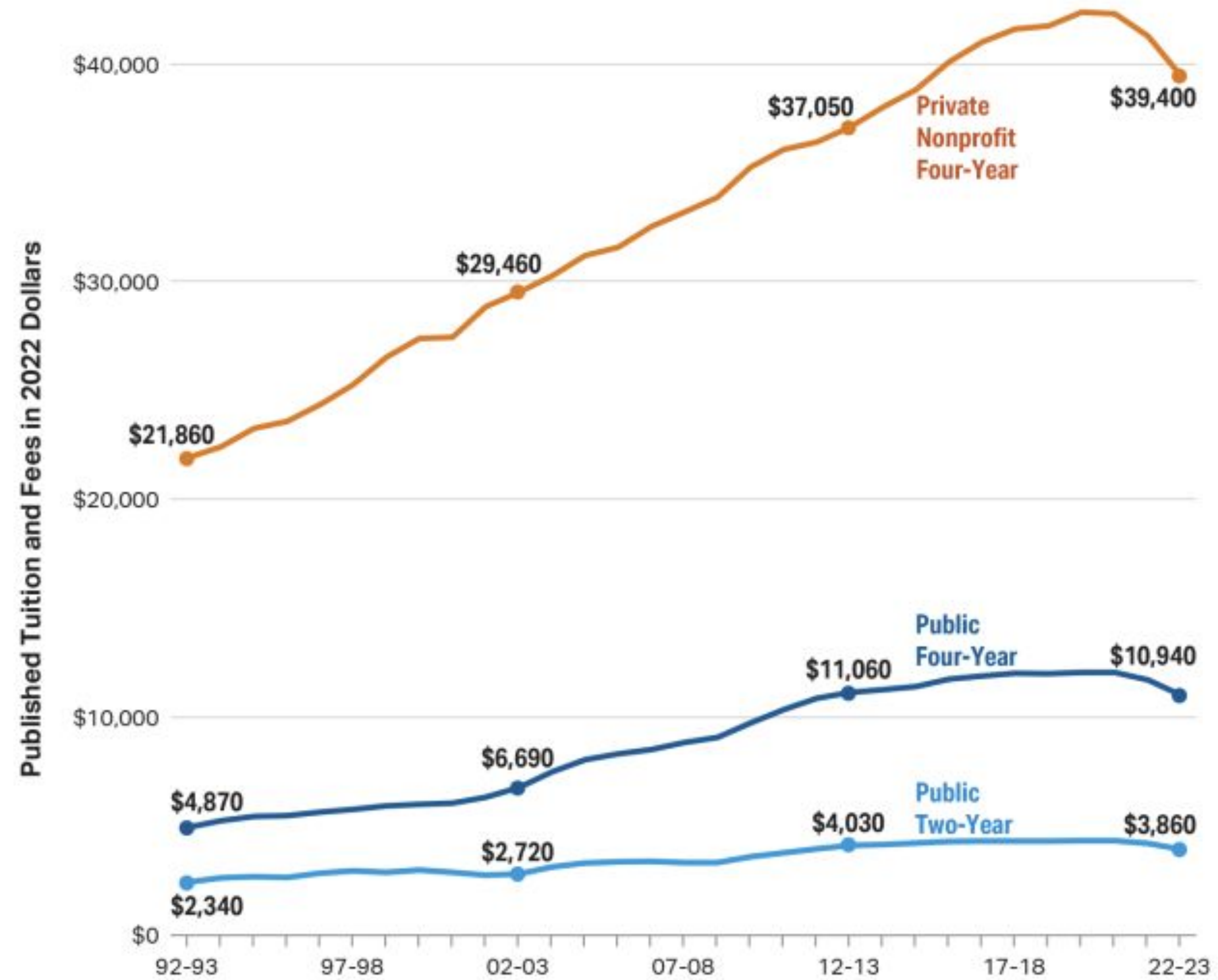
Imagine a purchase decision where:

- you might not be allowed to consider buying the service,
- and there's a sticker price,
- and probably a discount,
- and maybe a really big discount,
- but you might not know what the discount is,
- and you're buying a multi-year contract,
- and usually the price of the product goes up each year, but we can't tell you by how much,
- and if the price goes up sometimes you can ask for another discount, but no guarantees.
- Oh, and the federal government or your state might help you buy it.

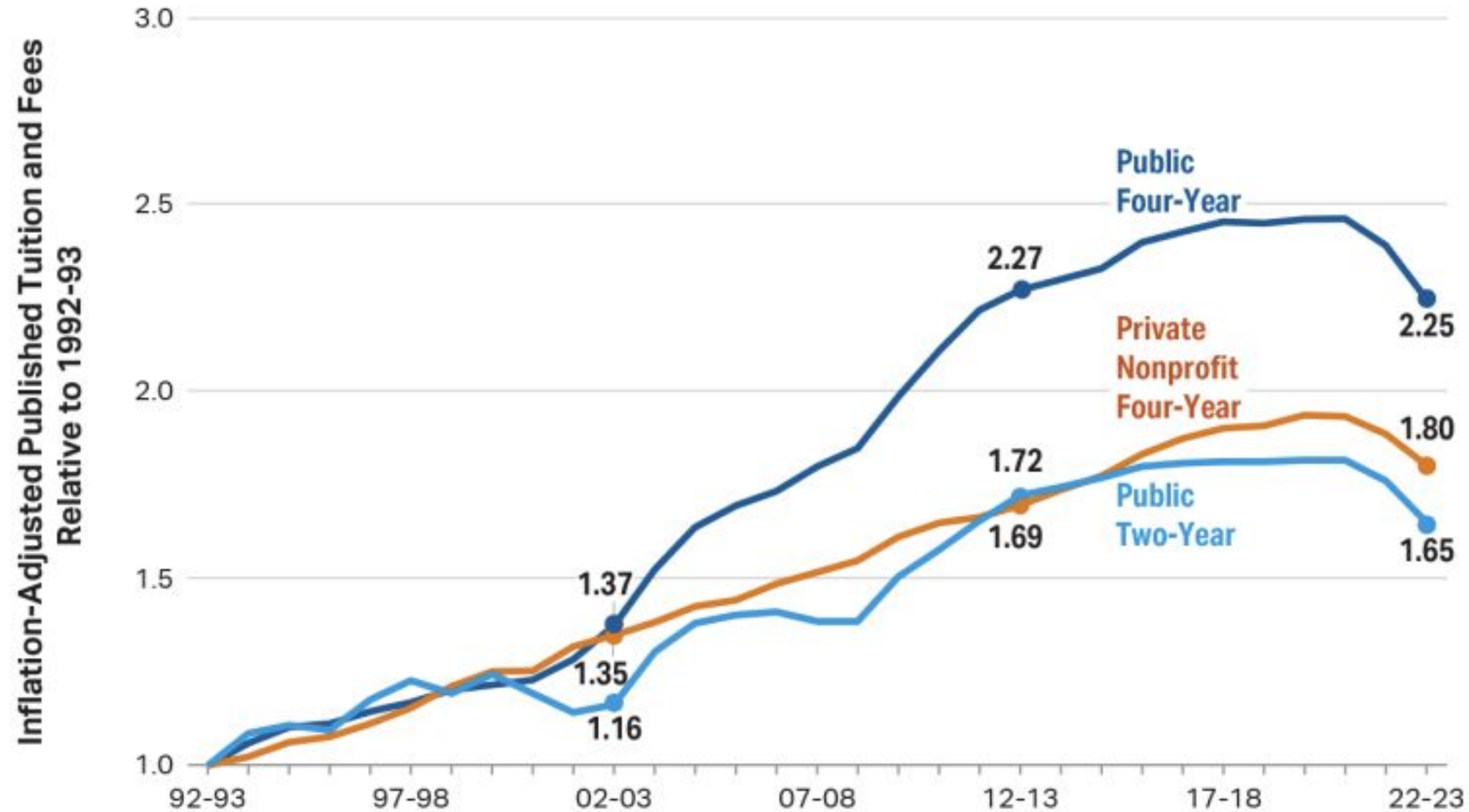
1

Where We Are

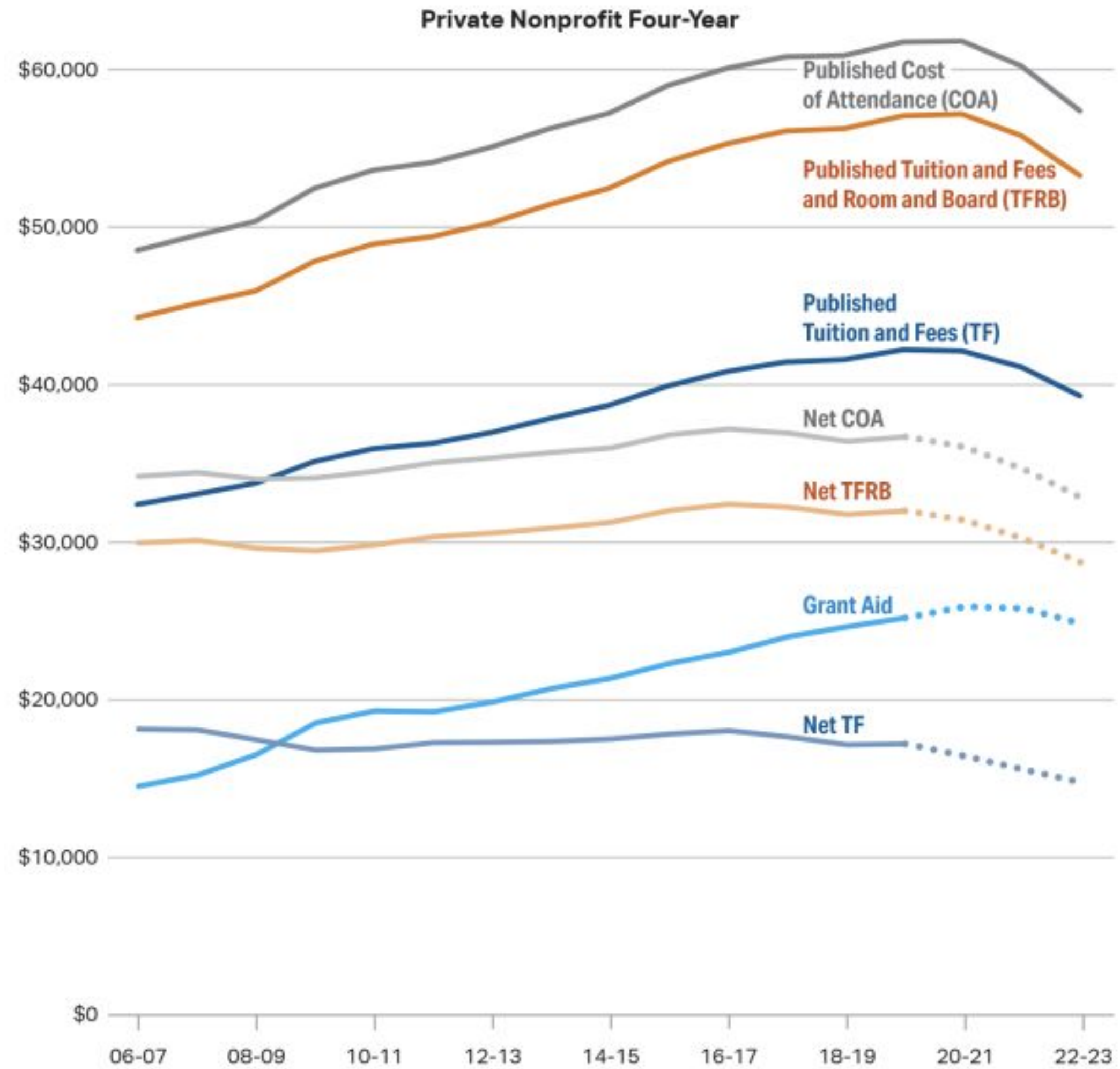
Average Published Tuition and Fees in 2022 Dollars by Sector, 1992-93 to 2022-23



Inflation-Adjusted Published Tuition and Fees Relative to 1992-93, 1992-93 to 2022-23 (1992-93 = 1.0)



Average Published and Net Prices in 2022 Dollars, First-Time Full-Time Undergraduate Students at Private Nonprofit Four-Year Institutions, 2006-07 to 2022-23



College Costs Are Less Terrifying Than You Think

You probably won't pay the sticker price, and you can start saving now.

Forget that \$90,000 sticker price: College costs are actually going down

Is College Tuition Really Too High?

College Tuition Is Too High, But It Isn't Actually Rising

How did we get here?

How did we get to the point where colleges and universities are raising prices but not improving net tuition and fee revenue per student?

How did we get to the high-tuition, high-aid model, and where can we go from here?

Have we reached the point where the advantages of high-tuition, high-aid outweigh the negatives?

2

How We Got Here

The Old Model

Gift aid from the institution (plus federal and state aid) serves to ensure access to the institution for students from families with less ability to pay. Tuition revenue from students with an ability to pay helps fund access for other students.

Gift aid programs feature a small number of high-value scholarships for the most highly qualified students, but most gift aid is need-based grants.

The Discovery

Awarding systematic merit scholarships in modest amounts can motivate enrollment from more affluent students, ensuring better enrollment and net tuition revenue.

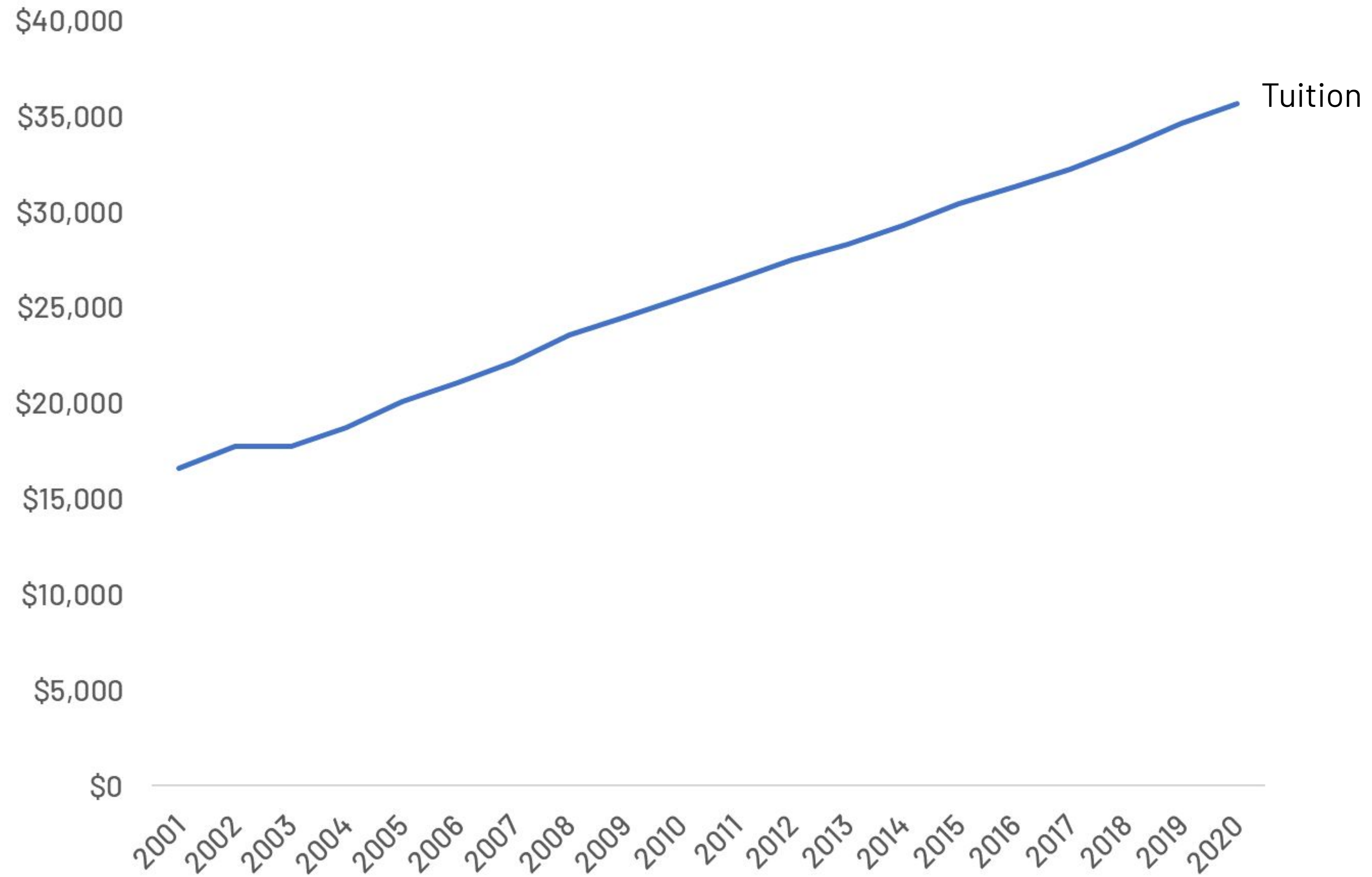
Tuition increases more rapidly, and gift aid programs become more systematic, typically differentiated on the basis of academic indicators. Need grants decline.

The New Model

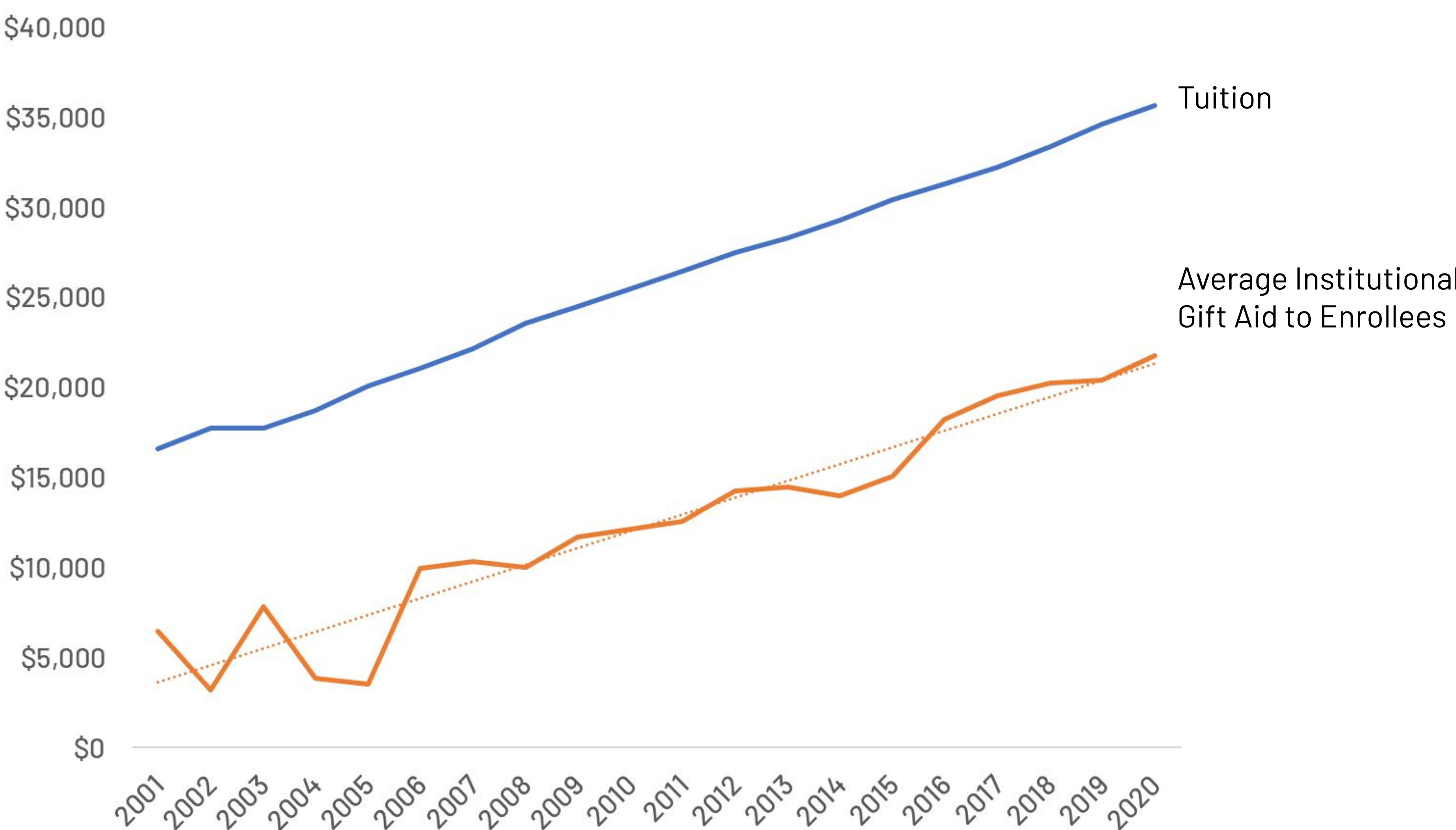
A merit scholarship “arms race” as students broaden the number of institutions they consider and institutions struggle to manage yield and meet headcount goals. Discount rates inflate.

Nearly all students receive some form of gift aid, typically in merit scholarship form, and often in amounts exceeding 50% of tuition. Scholarships are awarded automatically and early in the admission process.

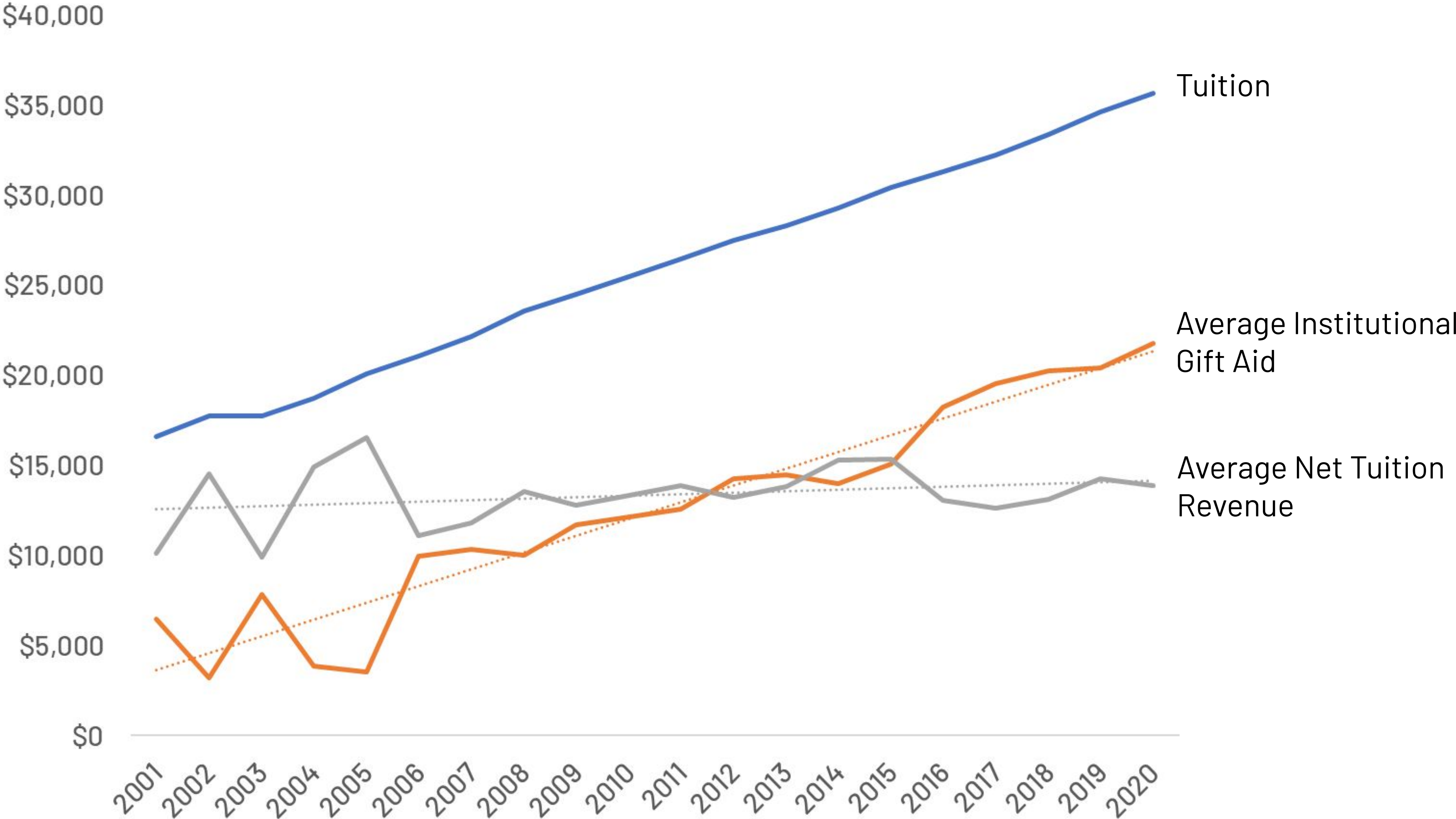
Tuition goes up



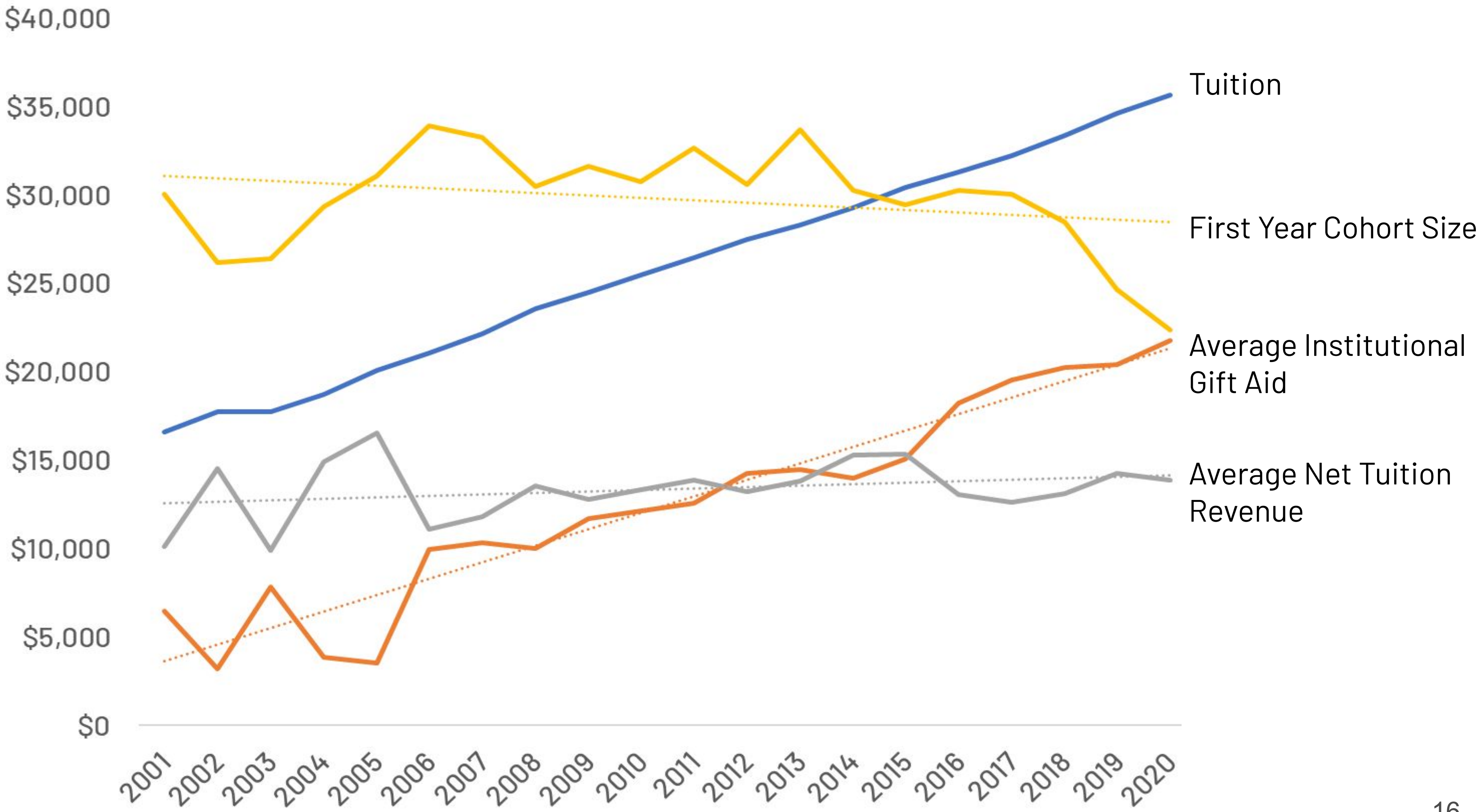
...but so does gift aid



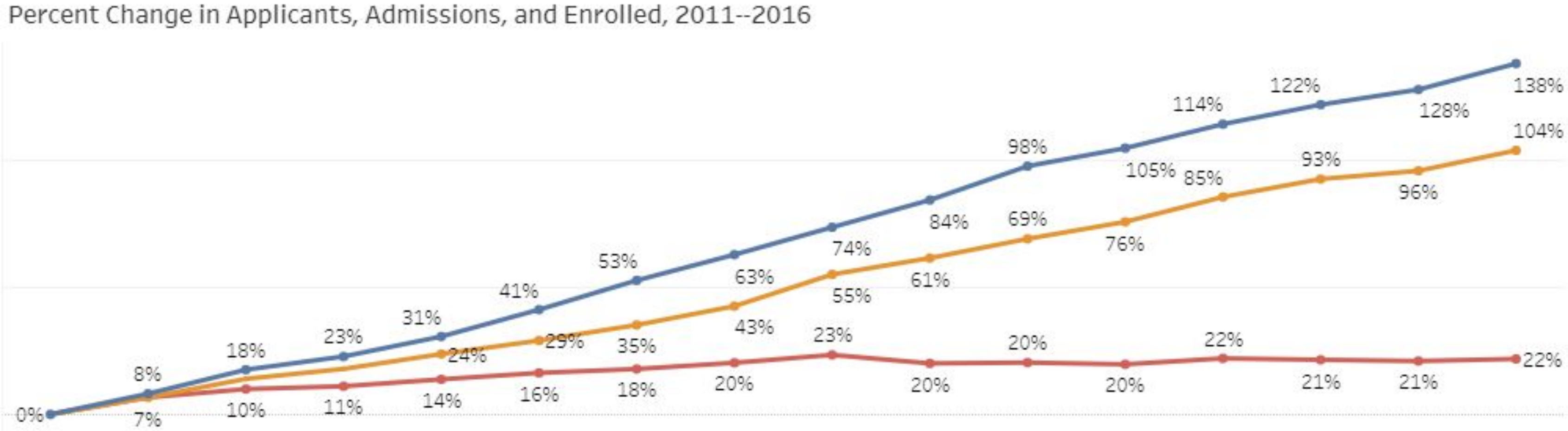
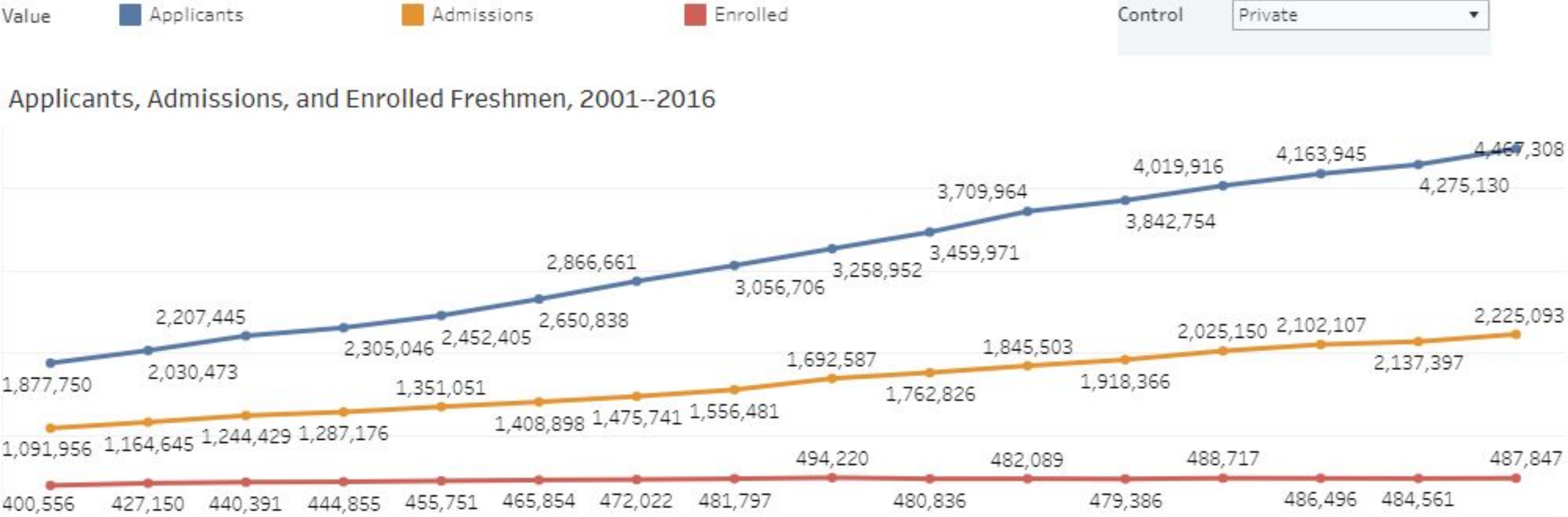
...and that means net revenue per student is flat



...and that doesn't work unless enrollment grows



...and student growth was mostly just app growth.



Source: HigherEdDataStories (Jon Boeckenstedt)



3

Where Are We Headed?

What about price resets?

- What if we went back to the old model?
- Instead of charging \$35,000 sticker price and giving out \$20,000 scholarships, what if we charged \$15,000 list price and offered very limited gift aid?
- The challenge:
 - Sticker price is sometimes seen as an indicator of institutional quality
 - Students and families have a positive psychological reaction to significant institutional gift aid
 - Price resets can signal financial instability (rightly or wrongly)
 - First mover disadvantage
- Mixed results:
 - Best case: applications increase, improves admit volume, drives headcount at similar NTR to pre-reset levels.
 - Often: application and admit volume improves but yield falls

How do we get off the treadmill?

- Outside of today's scope:
 - Cost controls
 - New student populations (graduate, online, adult, and transfer)
- **Identifying right-fit student populations.** Students (and their families) who want to be at your institution and value what you offer are likely to be stronger on willingness to pay and have better retention & success outcomes.
- **Building financial aid strategies that use predictive modeling to assess willingness and ability to pay,** and align your gift aid resources with your institutional goals.
- **A focus on retention** - as recruitment pipelines tighten, retention becomes even more critical for enrollment success.

4

Q&A



11:30 AM EDT

Coming Up Next ...

**Financial Aid Optimization
Overview**