



Improving Affo Education throug



A close-up, artistic photograph of several US dollar bills, including a \$100 bill and a \$20 bill, showing intricate patterns and text like 'PITOL' and 'DOLLAR'.

rdability of Higher h Buying Consortia

By Larry A. Isaak, Robert J. Trembath,
and James Sebesta

Many public and private higher education institutions continue to experience flat or reduced state budget allocations, coupled with tuition and fees that continue to exceed inflation. These factors continue to make higher education more difficult to afford by a larger percentage of potential students in this country. In addition, the current economic situation seems to be worsening. The nation faces probable future reductions in state allocations, declining values in endowments, and an ever increasing federal deficit. Finding proactive and innovative approaches to reduce costs without sacrificing quality of instruction and service is truly the challenge facing facility and business officers.

In November 2008, the Midwestern Higher Education Compact (MHEC) was awarded an \$800,000 grant from Lumina Foundation for Education to implement regional initiatives to improve higher education productivity for colleges and universities that face increasing costs for energy and utilities and for employee and student healthcare. The goal of this initiative is for institutions to realize financial savings in these two areas where costs continue to rise at a significant rate. Founded in 1991, MHEC has been incredibly successful in other areas of cost savings through collaboration among its member states and institutions.

To assure success of the program, MHEC is collaborating with APPA and the National Association of College and University Business Officers (NACUBO) to integrate with existing systems, data, and networks. The outcome of this collaboration will allow for improved results and a more effective dissemination of results across institutions outside the MHEC region.



PROJECT OVERVIEW

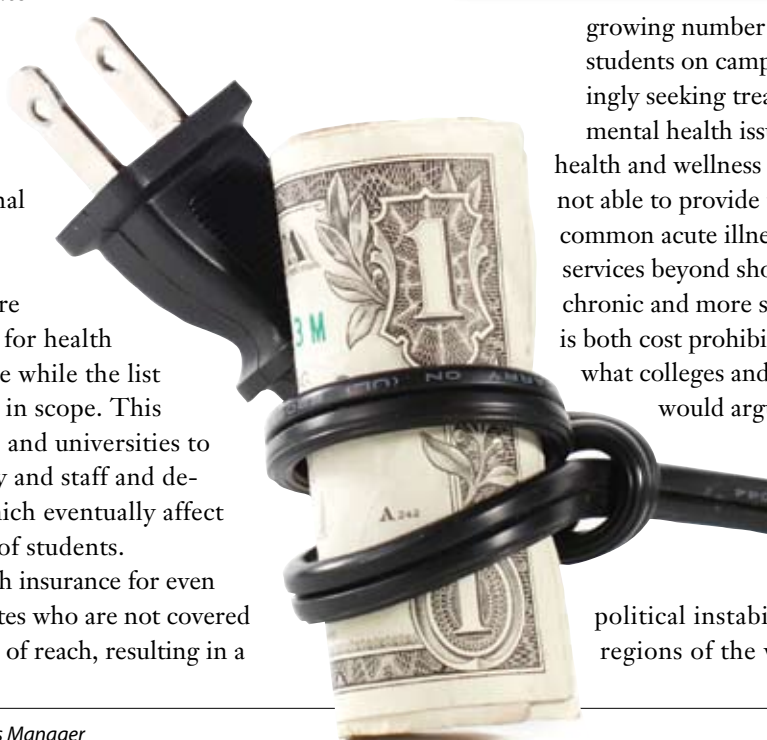
The project's overarching goal is to provide opportunities for colleges and universities to realize financial savings in two areas where costs are rising at a significant rate: 1) healthcare benefits and insurance for students and employees; 2) energy and utilities. The primary target population of the grant initiative is the public and independent college and university sector in the Midwest. However, depending on the specifics of the purchasing agreements that are eventually negotiated, benefits could extend to school districts and municipal governments as well as colleges and universities in states outside the MHEC region.

While other purchasing cooperatives and consortia exist, the complexities of the healthcare and energy/utility markets have made it very difficult to develop viable, scalable programs that enable colleges and universities to reduce costs in these areas. MHEC's governance structure as a statutorily created entity in each of the twelve MHEC states (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin) provides a unique advantage in bringing together educators, legislators, and industry leaders to develop mutually beneficial solutions to vexing problems.

HEALTHCARE AND ENERGY COSTS CONTINUE TO RISE

The project is critically important to pursue at this time. For several years the cost of providing health benefits to employees has grown at a rate far exceeding inflation—a rate of increase that is not expected to slow at any time in the near future. These continual rising costs drain institutional resources away from core educational functions. At the same time, employees are making larger co-payments for health insurance and physician care while the list of covered services narrows in scope. This limits the ability of colleges and universities to compete for talented faculty and staff and decreases morale—both of which eventually affect the educational experience of students.

Similarly, the cost of health insurance for even young, healthy undergraduates who are not covered by family policies can be out of reach, resulting in a



Headquartered in Minneapolis, MN, the Midwestern Higher Education Compact also has a variety of other programs to reduce costs, to increase student access, and conducts policy research and analysis. The Compact is governed by a board comprised of five commissioners from each member state, including legislators, governor's representatives, and higher education leaders. For more information on MHEC, visit www.mhec.org or call 612-626-8288.

Lumina Foundation for Education, an Indianapolis-based, private, independent foundation, strives to help people achieve their potential by expanding access and success in education beyond high school. Through grants for research, innovation, communication and evaluation, as well as policy education and leadership development, Lumina Foundation addresses issues that affect access and educational attainment among all students, particularly underserved student groups, including adult learners. The Foundation bases its mission on the belief that postsecondary education remains one of the most beneficial investments that individuals can make in its people. For more details on the Foundation, visit its website at www.luminafoundation.org.

growing number of uninsured and underinsured students on campuses. Students are increasingly seeking treatment for serious illnesses and mental health issues from college and university health and wellness centers. Many campuses are not able to provide treatment for anything beyond common acute illnesses or to provide mental health services beyond short-term counseling. Treating chronic and more serious illnesses and conditions is both cost prohibitive and beyond the scope of what colleges and universities can – and, many would argue, should – make available.

The cost of heating, cooling, and powering college and university campuses has also risen steadily. Rising demand for fossil fuels, political instability in energy-producing regions of the world, and environmentally-



based regulations and taxes will combine to make future prices volatile at best. Institutions will face increasing pressure to reduce costs by seeking lower prices for commodities, using less energy through improved efficiency and conservation, and increasing the proportion of the total energy used that is generated from renewable sources.

With flat or reduced funding from state governments and increasing popular and political pressure on institutions to hold down tuition, the growing proportion of college and university budgets devoted to healthcare and energy reduces concomitantly the funds available to support programs and services devoted to student access and success.

PROJECT OUTCOMES, OBJECTIVES, AND ACTIVITIES

By the end of the three-year grant period MHEC expects to have at least one group purchasing program in place in each of the two discussed domains—healthcare and energy—with enough colleges and universities enrolled to make each program viable. MHEC is striving to negotiate agreements with vendors of health insurance and energy enabling colleges and universities to obtain products and services at a lower cost than they would be able to obtain by acting independently or even within state systems or existing consortia. The extent of cost savings will be dependent on the nature of the programs that are developed and the terms of the agreements negotiated with service providers.

A related objective of the proposed initiative is to enable institutions to measure the extent of their savings and redirect these funds into programs and services designed to promote student success and reduce the institutions’ overall operating cost per degree/credential. As such, this initiative will generate tools to assist colleges and universities in this endeavor and to track how the savings generated by MHEC programs are being used to enhance institutional productivity. This objective is consistent with the aim of Lumina’s Making Opportunity Affordable initiative.

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Given the potential scope of these initiatives and the specialized technical knowledge necessary for their pursuit and success, financial and human resources beyond the current operational capacity of MHEC are required. With support from Lumina Foundation, APPA, NACUBO, and other institutional associations, MHEC will build upon its existing infrastructure and relationships with institutions to:

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This initiative is critically important at a time when the costs of health benefits far exceed inflation, and the costs of heating, cooling, and powering the regions' campuses are also steadily rising.

- convene experts and establish advisory committees for both energy and healthcare initiatives, and hire consultants with extensive, industry specific experience to assist in the research and development of programs in energy and healthcare; visit institutions and association meetings in an effort to gain support and encourage participation in the programs;
- contract for legal and other services from individuals and firms with knowledge of the regulatory environment and expertise in negotiating and developing agreements in specialized fields, in particular energy and healthcare;
- enter into agreements with healthcare and energy/utility vendors on behalf of institutions in the region, establishing economies of scale that enable colleges and universities to save money that can be redirected toward core educational functions;
- market and promote the resulting programs by appealing to colleges and universities through various means such as mailings, institutional and system office visits, association partnerships, and conference attendance and presentations;
- develop tools to help institutions redirect savings to efforts designed specifically to promote student success and reduce overall cost per degree/credential; and



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By bringing together the resources of national higher education associations, MHEC has tremendous opportunities to develop programs which, when initiated will bring additional savings to MHEC member institutions, and provide cost savings models for the benefit of all of higher education.

- utilize and integrate with existing technology and survey services to develop sophisticated platforms needed for purchasing, program management, tracking of institutional savings, and monitoring how colleges and universities reinvest savings.

CONCLUSION

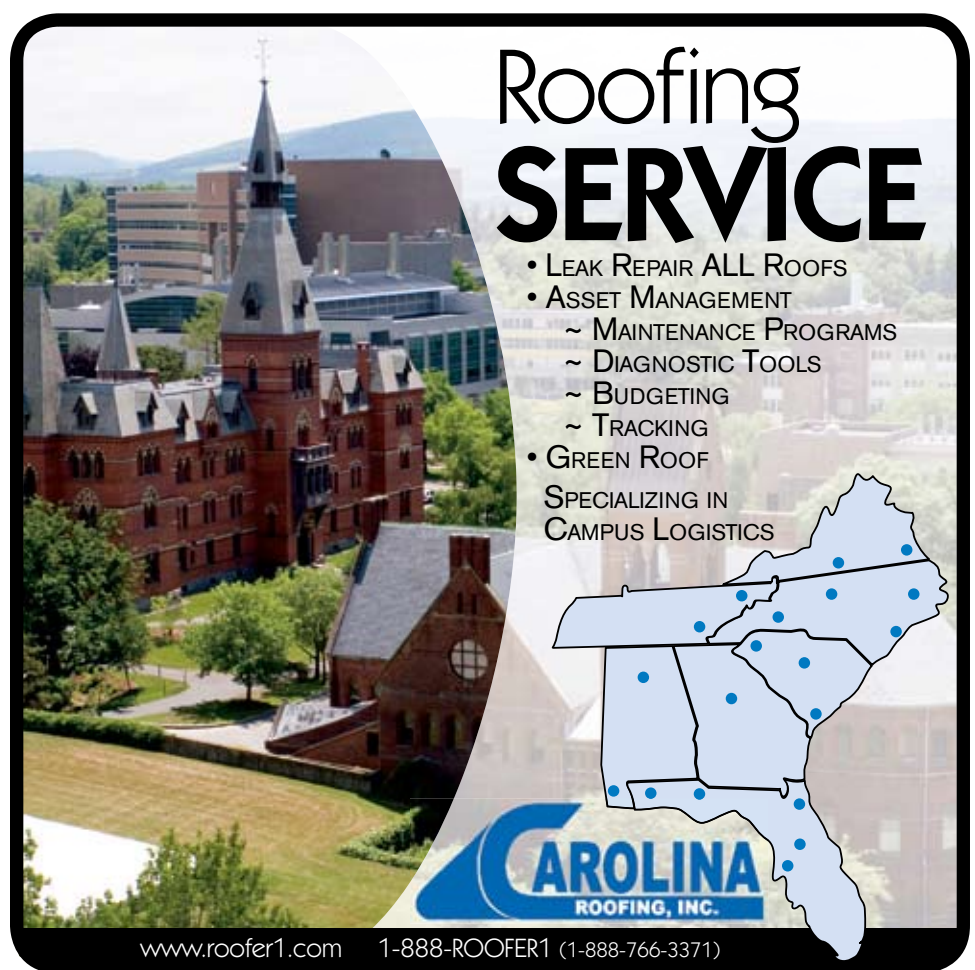
This initiative is critically important at a time when the costs of health benefits far exceed inflation, and the costs of heating, cooling, and powering the regions' campuses are also steadily rising. By bringing together the resources of national higher education associations, MHEC has tremendous opportunities to develop programs which, when initiated will bring additional savings to MHEC member institutions, and provide cost savings models for the benefit of all of higher education.

In the long term, the program will provide opportunities for higher education institutions to 1) enter into agreements with healthcare and energy/utility vendors in a new form that will be financially beneficial to the participants; 2) have access to training modules and tools to help institutions redirect savings to efforts designed specifically to promote student success; and 3) allow for more innovative initiatives to contract for technology services

using established platforms for purchasing, program management, tracking of institutional savings, and monitoring how the colleges and universities reinvest savings. 

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