Examining the OPM: Form, Function, and Policy Implications

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Definition of OPMs

A provision of a suite of services that involve the management of an online program, external to the institution

- Other distinctions:
  - Firms could be for-profit or nonprofit
  - Offerings could be credit or non-credit
  - Suites of services range from back-end support to interpersonal interactions with students to curriculum development and delivery
  - Agreements could be either tuition-share or fee-for-service
Student Enrollment Cycle

Prospect
- Market Analysis
- General Marketing
- Prospective Students
- Recruiting Prospects

Obtaining Students

Instructing Students
- Program & Course Planning
- Course Development

Supporting Students & Instruction
- General Administration
- Enrollment Management (Fin Aid, Veteran Benefits, Registrar)
- Academic and Career Planning
- Learning Support
- Student Life

Course Delivery (delivery of instruction)
- Student Performance Assessment

Enrolled & Re-enrolled

Figure 1: Online Education Production (Activities)
Colleges & Universities

Why do higher education institutions partner (or do not partner) with OPM firms?

- Convenience
- Control

- What is the payment structure?
  - Fee-for-Service
  - Tuition-Share Agreements
Framing of Tuition-Share Agreements

• Covering much of the start-up costs associated with a new program in return for future payments

• Providing insurance by allowing the future payments to vary based upon the financial success of the program

• Decrease financial risk to institution
Figure 2: The Timing of Revenues and Expenditures for a New Online Program (and the Resulting Desire for Loans)
Figure 3: The Financial Risk Profile for New Online Programs
OPM Firms

- Phil Hill from Phil on EdTech
  - Years of operation range from 2 to 200 years
  - 22 headquartered in the U.S.
  - Only one is considered nonprofit*
  - Employee size ranges from 51-200 to 10,000+
  - More firms started as for-profit education providers

- Market consolidation (e.g. 2U and edX)

- Different service focus
  - Academic
  - Non-academic

Sources: Data on this table were collected from a variety of websites. We used Phil Hill's list of OPM companies shown in Figure 6. Most information was pulled from companies' LinkedIn profiles, including headquarters, founded, type, and number of employees. We reviewed data from company press releases, company websites, Google, and SEC filings for the founder(s) and firm origin.

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Nonprofit Conversions through OPM Partnerships

- **Strategy 1:** Split university into a non-profit university and for-profit OPM company.
  - Shape the governance of the nonprofit university and the for-profit OPM to ensure continuation of contract with the OPM of the parent company.
  - A true mission-focused nonprofit would switch OPM providers based on competition.
  - Regulatory agencies will treat the university as a nonprofit because the governance of the two organizations is sufficiently separated.

- **Strategy 2:** Enter the nonprofit university and the for-profit OPM of the parent company into a long-term contract prior to the conversion.
  - Identify a second university to join the transaction via a “Branding and Partial Governance” (B&PG) partnership with the newly formed nonprofit university.
  - The second university receives a share of the revenue generated by the new nonprofit institution.
  - The “Branding and Partial Governance” partnership can also facilitate connections and revenue flows between existing non-profit institutions.
Figure 4: the Nonprofit Conversion University of Arizona Global Campus
Policy Perspectives

• Reasons to Regulate
  • Online education challenge the campus-based models of traditional higher education
  • The role of profit-generation in partnering with OPMs is often considered problematic because it blurs the regulatory distinction between nonprofit and for-profit higher education
  • OPM partnerships involve the outsourcing of teaching and instruction (or “core activities”)
  • Universities are presumed to be in control of their entire academic portfolio.
  • The triad serves as regulator and quality control and new funding arrangements cause the triad to figure out policies for new and unknown activities.
  • No tracking or database exists

The policy implications for OPM are complex and intersect traditional business practices and education at all levels.
Possible Regulatory Modifications

- Incentive compensation
- Program outsourcing
- Written arrangements
- Substantive change
- Consumer protection
- Potential new policy?
State & OPM Oversight

- Contractual limitations
- Triad’s differentiated interests
- Is oversight about the OPM contracts/agreements or is it the OPM firms themselves?
  - Is there something that just shouldn’t be outsourced?
  - Multiversity – how do contemporary institutions fit into the regulatory landscape?
Current State Activities

• California
  • California Consumer Privacy Act of 2018

• New Jersey
  • S3708: IHEs must “…disclose certain online program information.”
  • S3709: OPM employees required “..to self-identify as third party to prospective students”
  • S3710: IHEs must “…submit certain documentation on online program management companies to Secretary of Higher Education.”

• Attorneys General Letter to NC-SARA
  • Demands to strengthen consumer protection
  • Extension of policies to OPMs or other third-parties associated with member institutions
Questions?

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