The For-Profit Education Problem

Protecting Expansion Adults from Predatory Institutions

The advertisement appears everywhere: social media feeds, transit stops, late-night television. A smiling woman in scrubs holds a certificate. "Train for a healthcare career in just six months. Flexible schedules. Financial aid available." The school's website features testimonials from graduates who found meaningful work, though the fine print reveals these success stories represent a fraction of enrollees. For the 18.5 million expansion adults facing work requirements beginning December 2026, such advertisements will carry a new promise: "Keep your Medicaid while you train."

Marcus, a thirty-four-year-old warehouse worker in Phoenix, sees one such advertisement on his phone while waiting for the bus. His Medicaid coverage depends on documenting 80 hours of qualifying activity monthly. He works 25 hours weekly at a distribution center, leaving him short. The ad promises a medical billing certificate in sixteen weeks, with classes two evenings weekly. Those classroom hours would count toward his work requirement. The enrollment counselor is warm, encouraging, and mentions nothing about the $12,000 price tag, the school's 28 percent completion rate, or the reality that graduates struggle to find employment because local employers don't recognize the credential. Marcus enrolls because he needs both a career pathway and healthcare coverage. Six months later, he owes money he can't repay for a certificate that leads nowhere. But while enrolled, his Medicaid compliance was immaculate.

This scenario represents the intersection of two policy concerns: for-profit higher education's documented history of targeting vulnerable populations with aggressive marketing and poor outcomes, and work requirements that create new incentives for exactly such targeting. When compliance with healthcare coverage requirements becomes dependent on educational activity, education itself becomes a compliance product. The question is whether states can design work requirement rules that enable legitimate educational pathways while protecting expansion adults from predatory actors.

The Predatory Institution Landscape

For-profit colleges occupy a complicated position in American higher education. Some provide quality vocational training, genuine career preparation, and credentials that lead to meaningful employment. Others have built business models around aggressive recruitment of vulnerable populations, federal student aid maximization, and outcomes that leave students worse off than when they enrolled. Distinguishing between these categories has challenged regulators for decades.

The sector's history of problematic practices is extensively documented. A 2012 Senate investigation found recruiters pressured to meet enrollment quotas, with those failing to sign enough students facing discipline or termination. Government Accountability Office investigations revealed widespread deceptive statements to prospective students about job placement rates, potential earnings, and credit transferability. The Consumer Financial Protection Bureau has pursued enforcement actions against institutions for predatory lending schemes that left students with debt they could not repay for credentials that did not lead to employment.

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The demographic targeting is particularly relevant to work requirement policy. Research consistently finds that for-profit institutions concentrate their recruitment in low-income communities and among populations of color. Black and Hispanic students make up nearly half of for-profit enrollment despite representing about one-third of all college students. This targeting is strategic: students qualifying for maximum federal financial aid represent the most valuable enrollment prospects for institutions whose revenue depends entirely on tuition. The population targeted by for-profit college marketing substantially overlaps with the Medicaid expansion population facing work requirements.

Outcome disparities are equally well-established. Students at for-profit institutions borrow more, are more likely to default on loans, and experience worse employment outcomes than peers at public institutions even after controlling for demographic characteristics. GAO analysis found that students at for-profit colleges had lower success rates across virtually every metric examined. A Harvard Law Review analysis noted that graduates from some large for-profit institutions faced "essentially the same grim job prospects as if they had never gone to college, plus a lifetime debt sentence."

These patterns matter because work requirements create new market opportunities for institutions whose business model depends on enrollment volume rather than student outcomes. When staying enrolled becomes the primary compliance mechanism, institutions optimized for enrollment will find eager customers regardless of educational quality.

Work Requirements as Marketing Opportunity

The December 2026 implementation of work requirements creates what economists would recognize as a captive market. Expansion adults need qualifying hours. Education counts. The institution providing those hours does not need to provide anything else of value for the compliance transaction to occur. This structural reality will attract both legitimate educational providers and predatory actors seeking new revenue streams.

The marketing opportunity is substantial. Approximately 18.5 million expansion adults will face monthly compliance requirements. Not all will choose education as their pathway, but those who do represent a significant market. For institutions whose enrollment has declined following increased regulatory scrutiny and closures of major chains, work requirement compliance offers a new value proposition entirely independent of educational outcomes.

The perverse incentive structure deserves explicit attention. Under work requirements, what matters for maintaining coverage is enrollment and attendance, not completion, credential attainment, or employment outcomes. A student who enrolls in a for-profit program, attends classes for two years, accumulates $20,000 in debt, and drops out without completing has successfully maintained work requirement compliance throughout that period. The compliance function is satisfied regardless of educational outcomes. An institution optimized for enrollment rather than completion has no business reason to invest in student success beyond the minimum necessary to maintain accreditation.

The advertising will be predictable. "Keep your Medicaid coverage while training for a new career." "Flexible schedules for working students." "Financial aid available." These messages will appear in the same media channels that have historically carried for-profit college advertising, targeting the same demographic populations. The difference is that Medicaid compliance adds urgency that previous marketing lacked. Choosing to delay education was previously a personal

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decision with personal consequences. Under work requirements, choosing not to enroll may mean losing healthcare coverage.

This urgency amplifies existing vulnerabilities. *Expansion adults facing coverage deadlines have less time for careful program evaluation. Those with limited educational experience may lack the information necessary to distinguish quality programs from predatory ones. First-generation college students, who are overrepresented in both for-profit enrollment and the Medicaid expansion population, face particular disadvantages in navigating institutional quality assessment.*

Defining Qualifying Educational Activity

States hold substantial discretion in defining which educational programs qualify for work requirement compliance. This definitional authority represents the primary tool for protecting expansion adults from predatory institutions. The question is what criteria distinguish legitimate educational providers from credential mills, and how states operationalize those criteria in verification systems.

Accreditation provides one filter but is insufficient alone. For-profit institutions can and do maintain accreditation while producing poor outcomes. The Accrediting Council for Independent Colleges and Schools (ACICS), which accredited many problematic for-profit chains, had its recognition terminated by the Department of Education in 2016 after findings that it failed to adequately oversee member institutions. Accreditation signals compliance with minimum standards, not quality education. States relying solely on accreditation status will admit predatory actors to their qualifying program lists.

The Department of Education's gainful employment rule provides a more robust framework. Finalized in 2023 and taking effect in 2024, the rule requires career training programs to demonstrate that graduates' annual loan payments do not exceed 8 percent of their annual income (or 20 percent of discretionary income), and that at least half of graduates earn more than typical high school graduates in their state. Programs failing either test in two consecutive years lose eligibility for federal financial aid. The Department's analysis projected that about 1,700 programs enrolling nearly 700,000 students would fail at least one metric, with approximately 90 percent of those at for-profit institutions.

States designing work requirement rules could adopt gainful employment metrics as qualifying thresholds. A program ineligible for federal financial aid due to poor outcomes should not qualify for work requirement compliance. This creates automatic alignment between federal consumer protection frameworks and state work requirement administration. Students would know that any program counting toward their compliance has demonstrated minimum outcome standards.

Completion rates offer another useful metric. Programs with very low completion rates, regardless of sector, raise questions about whether enrollment represents genuine educational investment or institutional revenue extraction. A program where 70 percent of students drop out within the first year may be accepting students it cannot serve, providing inadequate support, or offering instruction so disconnected from student needs that persistence becomes impossible. States could establish minimum completion thresholds for qualifying programs, excluding institutions whose business model depends on enrollment fees from students who never finish.

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Employment outcomes provide perhaps the most direct test of educational value. Did graduates find work in the fields for which they trained? Did that work pay enough to justify the educational investment? Programs that consistently produce graduates who cannot find employment in their field of study are not providing the career preparation they advertise. States could require programs to demonstrate placement rates before qualifying for work requirement compliance, with ongoing monitoring to ensure sustained performance.

Program Integrity Mechanisms

Defining qualifying criteria is necessary but insufficient. States also need mechanisms for ongoing program oversight, enforcement when problems emerge, and processes for removing programs that no longer meet standards. Without these mechanisms, initial qualification becomes permanent regardless of subsequent performance.

Initial program review should evaluate both eligibility criteria and institutional practices. Does the program meet outcome thresholds? Does its marketing accurately represent costs, completion rates, and employment prospects? Has the institution faced regulatory action, enforcement proceedings, or consumer complaints? This review process requires staff capacity, access to relevant data, and clear evaluation standards. States lacking this capacity will either admit problematic programs or create approval processes so burdensome that they exclude legitimate providers.

Ongoing monitoring addresses the reality that institutional quality can change. Programs may meet initial thresholds but subsequently decline. Marketing practices may shift toward more aggressive tactics. New management may prioritize enrollment growth over student outcomes. States should establish regular review cycles, perhaps annually, evaluating whether qualifying programs continue to meet standards. Outcome data reported for gainful employment compliance can inform this monitoring without requiring duplicate reporting.

De-listing procedures create accountability. When programs fail to meet standards, what happens? A clear process for removing programs from qualifying lists, with appropriate notice to current students and transition pathways for those affected, ensures that initial approval is not permanent. Programs should understand that qualification depends on ongoing performance, creating incentives for sustained quality rather than initial compliance followed by decline.

Student complaint mechanisms provide additional oversight capacity. Expansion adults enrolled in problematic programs often recognize problems before regulatory review cycles capture them. Misleading marketing, poor instruction, unavailable services, and employment difficulties generate student complaints that can trigger investigation. States should establish clear complaint pathways and commit resources to investigating patterns of concern.

Coordination with federal enforcement amplifies state capacity. The Department of Education, Federal Trade Commission, Consumer Financial Protection Bureau, and state attorneys general all maintain enforcement authority over higher education institutions. States administering work requirements should establish information-sharing agreements ensuring that federal enforcement actions inform qualification decisions, and that patterns identified through work requirement administration reach appropriate enforcement authorities.

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Legitimate Short-Term Training

The for-profit education problem should not obscure the legitimate value of short-term credential programs. Many expansion adults need rapid pathways to employment, not multi-year degrees. Quality short-term training programs exist across sectors, providing genuine career preparation in timeframes compatible with the economic pressures expansion adults face. The goal is enabling access to legitimate programs while excluding predatory ones.

Community college workforce programs represent perhaps the strongest quality floor. Public institutions operating under state oversight, with funding models not dependent on maximizing enrollment, generally have aligned incentives around student success. Their certificate programs in healthcare, information technology, manufacturing, and construction often provide direct pathways to employment with credentials that local employers recognize. These programs should qualify for work requirement compliance with minimal additional scrutiny.

Industry certification programs offer another quality signal. When an industry association certifies that graduates meet professional standards, that certification represents employer validation of program quality. Programs preparing students for widely recognized certifications in fields like healthcare, information technology, or skilled trades have demonstrated relevance to actual employment. States could create streamlined qualification for programs whose graduates earn industry-recognized credentials.

Registered apprenticeships combine work and learning in structures that virtually guarantee positive outcomes. Apprentices earn while learning, accumulate work experience alongside credentials, and emerge with industry-recognized qualifications. These programs face market discipline that academic programs often avoid: employers invest in apprentices only if the training produces valuable workers. States should count apprenticeship participation as qualifying activity without requiring additional institutional credentialing.

Employer-sponsored training programs represent another category meriting favorable treatment. When employers invest in training workers, that investment signals confidence that the training produces value. Employer-sponsored programs may not carry traditional credentials but provide direct pathways to employment with the sponsoring employer. States should recognize employer-sponsored training as qualifying activity, particularly when employers attest to training content and outcomes.

The common thread across these categories is external validation beyond self-reported institutional claims. Community colleges answer to state oversight. Industry certifications reflect employer consensus. Registered apprenticeships require employer partnership. Employer-sponsored training involves direct employer investment. Each provides quality signals that for-profit institutions, whose accountability runs primarily to shareholders rather than students or employers, often lack.

The Deeper Questions

Protecting expansion adults from predatory institutions raises questions extending beyond technical program evaluation. What responsibility does the state bear when it creates compliance requirements that drive vulnerable populations toward potentially harmful choices? If someone loses coverage because the only accessible educational option was a predatory institution they appropriately avoided, has the policy succeeded or failed?

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Work requirements create not just obligations but markets. When compliance requires activity, providers of that activity gain customers whose participation is not entirely voluntary. The state, having created this market, bears some responsibility for ensuring that market participants serve the population the state has directed toward them. Allowing predatory institutions to profit from compliance requirements while harming the populations those requirements ostensibly serve represents policy failure regardless of technical compliance.

The administrative burden of protecting against predatory institutions also warrants consideration. Rigorous program evaluation, ongoing monitoring, and enforcement capacity all require resources. ***States already straining to implement basic work requirement verification may lack capacity for sophisticated consumer protection functions.*** If resource constraints lead to either minimal oversight or blanket exclusions that eliminate legitimate options, expansion adults suffer either way.

These tensions cannot be fully resolved through program design. They reflect deeper questions about whether work requirements represent wise policy when implementation requires infrastructure that may not exist and creates markets that may attract harmful actors. The answer to those questions lies beyond this article's scope. What states can do, assuming work requirements proceed, is design qualification rules that maximize protection while preserving legitimate pathways. This requires understanding that education as compliance activity differs fundamentally from education as voluntary human capital investment, and that policies must account for that difference.

Next in series: Article 10I, "Education-Employment Transitions"

Previous in series: Article 10G, "Higher Education Financing Pathways"

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