

January 26, 2009

Optometry Study



State Council of Higher Education for Virginia

Advancing Virginia through Higher Education

The 2007 General Assembly directed SCHEV to collect information concerning a contract relationship with select Optometry institutions. Specifically, the language, Item 143 C.1. of the 2007 Virginia Acts of the Assembly Chapter 847 states as follows:

d. The State Council of Higher Education shall determine if the number of contract slots with schools and colleges of optometry meets the State's optometric needs. Additionally, the State Council of Higher Education shall determine the cost effectiveness and benefits of contracting directly with schools and colleges of optometry for slots for Virginia students rather than contracting through the Southern Regional Educational Board.

Background

According to Southern Regional Educational Board (SREB) records, Virginia has been a member of the SREB since 1950 and has participated in the Optometry contracts since 1989-90.

The SREB Regional Contract Program enables qualified students wishing to pursue professional health degrees to gain entrance to schools outside their home states for the price of in-state tuition and fees at public institutions, and reduced tuition at private institutions. The program helps students in the fields of dentistry, medicine, optometry, podiatry, veterinary medicine and osteopathic medicine. Participating states contract, through SREB, with schools to maintain a specific number of "spaces" in their professional programs for residents of the contracting state. States save the expense of building, staffing and supporting of these programs and institutions. SREB is the fiscal agent for the program and handles administrative duties for and between participating states and institutions.

Most recently, Virginia contracted, via SREB, with the Southern College of Optometry and the University of Alabama-Birmingham for a total of 10 "spaces" at \$10,600 per student in 2003-04. Under a separate agreement, Virginia also provided grants to Virginians enrolled into the Pennsylvania College of Optometry (PCO). No formal contract was in place for this initiative as Virginia's funding was provided to students in the form of a grant. At various times, Virginia funded up to 27 PCO Virginians at an annual average of just under \$4,500 each with a high of \$5,238 in 2003-04.

Due to the budget reductions of 2003, all Regional Contracts programs – including Optometry – were directed to be phased-out via attrition

by not adding new students to the program. The phase-out is complete and Virginia currently is under no obligation to any individual students, nor are the institutions obligated to reserve spaces for Virginia residents. Any Virginia resident seeking to pursue professional studies must do so on their own accord.

The 2007 General Assembly has now expressed interest in determining the viability and necessity of reviving the Optometry portion of the Regional Contracts program. Though the program in Virginia is currently inactive, SREB staff report that Virginia's prior Optometry contract option remains open (assuming spaces are available at participating institutions) and only requires refunding in order to be reactivated.

Optometry occupational supply and demand projections

The U.S. Department of Labor Bureau of Labor Statistics states that in 2006, optometrists held approximately 33,000 jobs nationwide. The Bureau expects that between 2006 and 2016 the employment of optometrists will grow as fast as average. Specifically, the Bureau predicts an 11 percent growth between the years of 2006 and 2016. The projected growth estimate is based on a rising need for vision care among the growing and aging population. The growth is not as rapid as would be expected due to advances in the field that allow for greater productivity of optometrists. In comparison, the Virginia Employment Commission shows that Virginia employed 684 optometrists in 2004, and projects that there will be 887 by 2014. This is an annual average growth rate of 2.6 percent. That is faster than the 1.6 percent annual average growth rate for all other occupations in Virginia statewide. The VEC projects that there will be 39 new openings for employment of optometrists per year from 2004 to 2014 and of those, 20 new openings will be due to growth and 19 will be due to replacement of existing optometrists. By percentage, this means that annually 51.3 percent of openings will be due to growth and 48.7 due to replacement. By comparison, for all occupations state-wide 42.9 percent of annual openings are due to growth and 56.1 percent of new openings are due to replacement.

Current institution status

The Southern College of Optometry reports three Virginia residents are currently enrolled at the institution. The non-resident tuition is \$20,448 per year (resident tuition is \$15,448). The current rate for an Optometry slot through the SREB Contract Program is \$13,100, which covers the tuition difference, guarantees a seat for state resident, and helps suppress the tuition rates for all students.

The University of Alabama-Birmingham reports no Virginians are currently enrolled in their program. The nonresident rate is \$36,384 (resident tuition is \$12,128).

The Pennsylvania College of Optometry (PCO) reports 30 Virginia residents are currently enrolled. The tuition for all students is \$28,500. PCO reports grant arrangements with five different states. These are:

Delaware per student	Up to 4 students per class	\$4,000 grant
Maryland per student	Up to 5 students per class	\$8,275 grant
Nebraska per student	Up to 2 students per class	\$12,750 grant
North Carolina per student	Up to 7 students per class	\$12,200 grant
West Virginia per student	Up to 2 students per class	\$9,240 grant

Research

According to the SREB, the Commonwealth of Virginia is prohibited from entering into individual contracts with colleges and universities within SREB member states due to the contractual relationship that exists between SREB, and the 16 member states, including Virginia. Specifically, SREB staff referenced Virginia Senate Joint Resolution #50 of 1950 as the contracting language. Further, it is SREB's goal to provide the lowest possible state costs for contracts with institutions by negotiating as a group and thus they contend that Virginia would not realize a savings by negotiating individually. Indeed, a lower contract rate to any SREB member state would result in a lower rate for all member states.

There are no administrative charges for SREB's coordination of the contracts program. SREB does not retain any portion of the funds allocated by a state for Regional Contracts program. Support for the program comes from SREB's General Fund through state membership dues.

SREB has three different types of programs available to states desiring to enter into a contract with an institution. They are:

1. Contract-for-services

Under this program, a state secures a specific number of reserved spaces for its residents. SREB staff then negotiates with the participating institutions to obtain a contract rate for all state participants and facilitates the appropriate contracts. The institution agrees to hold the specified number of spaces open for each contracting state. Under this program, the amount of funds required per student is set by contract and the state is expected to appropriate enough funds to cover the contracted amount. In cases where funds are insufficient, the number of students funded is reduced but the rate per student is not adjusted. Eligible students are charged the in-state tuition at public institutions and have reduced tuition at private institutions. Proceeds from this program are also used to help the institution minimize tuition costs for all students.

Participating Optometry institutions:

Northeastern State University, Oklahoma
Southern College of Optometry, Tennessee
University of Alabama-Birmingham, Alabama
University of Houston, Texas

This is the program in which Virginia participated through 2003 with 4 contracted spaces at Southern College of Optometry and 6 contracted spaces at the University of Alabama-Birmingham. The amount per student is subject to change annually and based on calculations made by the SREB reflecting tuition and fee adjustments at participating colleges and universities. The rate in 2004-05 was \$10,600 per student. The contract amount was \$13,100 per student for 2007-08 and 2008-09.

2. Tuition-aid contracts

This program enables states to defray part of the tuition cost for their residents enrolled in specified fields of study in other states. Through the tuition-aid agreement, a yearly sum is paid to the institution to cover the difference between resident and nonresident tuition for each student enrolled in the program. This program is only available for programs not covered by the Academic Common Market (ACM) or Regional Contracts "contract for services." Therefore, Virginia is not able to utilize the "tuition-aid" contract for Optometry programs.

3. Special-purpose contracts.

These contracts vary and allow states to enter into creative contracts with specific institutions in order to meet a specific

unique state need. Again, this contract is only available for those programs not already addressed through the ACM or Regional Contracts.

Conclusion

Our research confirms that Virginia cannot negotiate individual contracts with institutions at SREB-participating states. Virginia may go outside of the SREB process by engaging with institutions not located in SREB-member states, as was done with the Pennsylvania College of Optometry.

These contractual arrangements would have to be negotiated with individual institutions if Virginia desires to reserve spaces for its residents. Without further research and a clear intent to engage in a contract, it is not known what those rates would be. Providing a direct grant to students in any amount would not require a contract but the individual award amount would depend upon the cost of attendance and student interest at each institution.

We would estimate per-student annual costs ranging between \$4,000 to \$10,000 for simple grants without the benefit of having seats reserved for Virginians and between \$10,000 and \$15,000 for contracts that guarantee seats for a specified number of Virginians.

According to the VEC demand projection for optometrist positions cited above, Virginia's entire need would be met by supporting 160 students in order to graduate 40 optometrists per year. The potential annual cost of such a program would range from \$640,000 per year (\$4000 simple grants x 160 students) to \$2,400,000 per year (\$15,000 reserved contracts x 160 students). Supporting a portion of the Commonwealth's need (i.e., fewer than 160 students per year) would result in proportionately lower costs.

To return Virginia to its former level of support for Optometry students would require 10 spaces at SREB institutions at \$13,100 per student and 27 spaces at PCO at either an adjusted level of \$6,473 (2003-04 PCO average of \$5,238 multiplied by the SREB percent of increase of 23.6% over the same time frame) or \$9,293 (the average state support available under current PCO contracts). This would result in an annual cost of \$305,771 or \$381,911 depending upon the funding strategy implemented for students enrolled at PCO.