



The Center for  
College  
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**PRESS RELEASE  
FOR IMMEDIATE RELEASE**

## **Stop Misusing Higher Education Specific Price Indices**

Washington, DC – The Center for College Affordability and Productivity is pleased to announce the release of ***Stop Misusing Higher Education Specific Price Indices***. The study examines two commonly used higher education price indices, the Higher Education Price Index (HEPI) and the Higher Education Cost Adjustment (HECA), finding that these are almost always misused and suffer from significant bias.

These indices are often used to discount tuition levels. This is inappropriate. The whole point of using a price index in this instance is to put otherwise incomparable values into the same context, something that an industry specific price index does not allow.

These indices also suffer more than most from several sources of bias, including productivity bias, quality bias, substitution bias, and, for the HEPI, being self-referential.

Select quotes from the report:

- “A wise man once noted that ‘the most common misuse of price indexes is to apply them to data or situations they were not designed to cover.’ The author of that statement was none other than Dr. D. Kent Halstead, father of the Higher Education Price Index... In a cruel twist of fate, his creation (and its offspring), are now the price indices that are routinely misused.” (Pg 1)
- “By using a price index that is specific to higher education, the HEPI and HECA make it impossible to compare figures for higher education to figures for other sectors of the economy, and this greatly limits their usefulness.” (Pg 5)
- “A mechanical calculation of the cost of maintaining the status quo does not in any way legitimize the status quo. If a university is spending money inappropriately, forecasts of future revenue needs using HECA and HEPI will merely report an estimate of the budget needed to continue wasting money.” (Pg 8)
- “While institutions all over the country are increasingly relying upon lower cost contingent faculty to teach courses, HEPI and HECA essentially assume that well paid tenured faculty are still teaching them (full-time faculty are paid about 4 times as much per course as part-time faculty).” (Pg 14)

A copy of the study can be downloaded at

<http://centerforcollegeaffordability.org/higher-ed-price-indices>

*The Center for College Affordability and Productivity is an independent, non-profit higher education research center based in Washington, D.C.*

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