New York Times Underplays Boot Camp Abuse, Lack of Success

Story examines "promising business opportunity"

By Maia Szalavitz

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The *New York Times* weighs in on the business side of residential programs for troubled teenagers (8/17/05) today, looking at how they have become highly attractive to investors.

But the paper of record takes a curious perspective on these programs—claiming, with no evidence whatsoever, that today's centers are not the "tough boot camps" of the past and that they "combine therapy and education" often in an outdoor setting.

In fact, the largest player in the industry, the World Wide Association of Specialty Programs (WWASP), provides no therapy at all in its basic programs and there are no educational requirements at all for the staff who lead the "groups" where teens discuss their emotional problems. The program relies on the intense confrontation and strict punishment that are the hallmarks of the "tough love" approach.

The Times played down abuse allegations (and confirmed cases) which have long plagued the industry, quoting unnamed "officials at several companies" who blamed the incidents on "a handful of less reputable programs." That "handful," however, is made up of some of the biggest organizations in the industry.

WWASP, for example, which currently

A Business Built on the Troubles of Teenagers

By Louise Story

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Mary Ann Davies has spent more than $100,000 in the last year to send her 16-year-old daughter to one private counseling and educational program after another. She has just signed up to go further into debt, committing herself to spend another $100,000 over the next two years for a boarding school in New York that she hopes will help her daughter overcome a drug problem.

"We're saving this life," said Ms. Davies, who works in advertising in Richmond, Va. "You can't put a price on that."

More and more parents of troubled teenagers are following the same course and sending their children to special programs - no matter the cost. At the same time, the number of programs available has soared. They differ from the tough boot camps and the long-term psychiatric stays that were the main options a couple of decades ago. The new "feel good" programs combine therapy and education, often in an outdoor setting, at an average cost of $5,000 a month.

Those numbers have drawn the attention of some big money investors, who see a growing need for the kind of services these programs provide. Although there have been allegations of abuse within the industry, and those have garnered most of the media attention on the schools, officials at several companies said almost all the incidents had been at a handful of less reputable programs.

holds some 2,500 teens in its American and foreign programs, has been dogged by numerous claims of abuse. Its New York facility is currently being investigated by New York state attorney general Eliot Spitzer. The group has had no less than nine affiliates shut down following abuse reports and/or government investigations—Mexico alone has shuttered three of them.

The Times reports that the CEDU chain of schools, again, a large industry player which uses tough confrontation, is a takeover target and that it closed down recently because of lawsuits filed by former students. But the article didn’t note that those lawsuits were related to abuse. The Times also mentions the Provo Canyon School, but didn’t report that it was the loser in a Supreme Court case in which it was charged with abuse and is the subject of an internet campaign to shut it down for abuse.

Even weirder, the Times mentions the ABC reality series “Brat Camp” as a possible source of increased recruitment for the programs (even as it is calling them “feel good” not “tough love”). But it fails to note that two of the nine participants were arrested following their “treatment” before the series even finished airing. That wouldn’t seem to be the greatest advertisement.

What’s most curious, however, is that while the story says that the, “the programs acknowledge that their type of therapy does not work for all teenagers,” and that parents often can’t tell whether the programs worked or their child just grew up, it does not question whether there is any scientific evidence regarding the efficacy of such facilities.

At the same time, the influx of money from investors seeking a high return on equity is worrying some traditionalists in the field, who are concerned that the bottom line may take precedence over students' needs. So far, they said, the schools are able to charge enough to make solid profits while keeping most customers satisfied.

"If you've got a child with problems, this is your most precious asset, and I don't think any parent would ever cut corners if they thought there was a way to help their child through the problem they're experiencing," said Joseph Kenary, the president of the corporate finance business at CapitalSource Finance, a lender to the Aspen Education Group, based in Cerritos, Calif., and one of the more prominent providers of programs for troubled teenagers. If the programs are "run well, if they're full, they generate a pretty attractive return on a cash-on-cash basis."

No one tracks the industry's enrollment, revenues or claims of success or failure, in part because the programs fall through the regulatory cracks and in part because the industry is still so fragmented. But financial analysts and educational consultants estimated that the number of teenagers attending such programs had quadrupled since 1995, to as many as 100,000 this year. They estimate that annual revenues now total at least $1 billion.

Venture capital firms like Warburg Pincus and the Sprout Group, a division of Credit Suisse First Boston, have found it a promising business opportunity.

Two of the larger private companies, Aspen and Three Springs, based in

Existing already data shows that tough tactics do not reform troubled teens and that grouping delinquent teens together is likely to make their problems worse, not better—whether the programs are labeled "therapy" or "boot camp." An NIH consensus statement on the state of the science said that "boot camps, and other "get tough" programs often exacerbate problems," rather than helping teens.

Researchers who have studied teen treatment universally say that residential care should only be used as an absolute last resort—and that usually, even the most troubled teens can be safely (and more effectively) treated at home.

The article notes that teen programs "fall through the regulatory cracks" and that they are rarely covered by insurance. This makes them attractive to investors because changes in coverage won't wipe them out—as happened to earlier rehabs when managed care hit.

That may be good for business. However, the Times shouldn't downplay the industry's long history of abuse, its complete lack of evidence for effectiveness, and the potential for such investors to lose big when those things finally come to light.

[Note: Maia Szalavitz is the author of the forthcoming *Help at Any Cost: How the Troubled-Teen Industry Cons Parents and Hurts Kids*, Riverhead, Feb 06].

Huntsville, Ala., have been buying up smaller programs and founding new ones. Universal Health Services, a public company that primarily owns hundreds of hospitals, has expanded into teenage behavioral programs.

John L. Santa, a co-owner of Montana Academy, a school based in Marion, Mont., that he co-founded in 1996, and president of the National Association of Therapeutic Schools and Programs, said he had been approached several times by companies looking to buy the school. But he decided not to sell, even though he said he believed that most large companies had been doing a good job so far.

"You're caring for individual kids," Dr. Santa said. "You're not making widgets. There's a fear as you move into a more corporate structure, you will lose some of what we do."

In contrast with companies focusing on general education - like Bright Horizons Family Solutions, the day care provider, and Edison Schools, the charter school company - the behavioral programs are dealing with a population that presents a higher risk.

"These kids are difficult," said Andrew E. Kaplan, a partner at Quad Ventures, a private equity firm that has been looking to invest in the field for about four years. "If something bad happens at one, it may be something that's completely out of your control. You may have done everything right, and still something happens."

Officials at the programs acknowledge that their type of therapy does not work for all teenagers. Even parents who were happy with the programs said they were not sure whether their teenager had simply matured or had changed because of the experience.

The teenagers who attend these programs have often been diagnosed with attention deficit disorder or other behavioral problems and are taking medications. Some have used drugs or have been sexually abused. Many have been in trouble at school or in minor trouble with the law. Others have run away from home or stolen from their parents.

The National Association of Therapeutic Schools and Programs lists 140 schools and programs, about 100 more than it listed in 1999. But educational consultants, who advise parents on these programs, say the total number of programs available is now closer to 300.

Seeing Opportunities in Many PlacesSince 1990, Lon Woodbury, an educational consultant who has published a newsletter on the industry for 15 years, said he had noticed an increase of 20 to 30 percent in the number of help programs for teenagers. In June, he wrote a column saying that there was still "plenty of room" for new programs.

"All indications are that the market is still growing," he wrote. "The consensus is that increasing numbers of children are in trouble and are not growing up very well."

It is not clear, however, if more teenagers have problems than a generation ago or if more parents are sending their teenagers away for help. Educational consultants said there seemed to be less of a stigma about seeking therapy today.

Perhaps most important, more parents have the disposable income or the equity in their homes to pay the typical price of $400 a day for an outdoor program. While most parents have to pay the bills themselves, some also receive help from their school district or insurance company.

The field began to commercialize in the mid-1990's. In 1998, the Sprout Group and Frazier Healthcare Ventures of Seattle bought the majority of Aspen, a company with a handful of programs at that time but with major plans to expand. In 2002, Warburg Pincus invested $15 million in Aspen; around the same time, the company received at least $48 million in loans from CapitalSource and Caltius Mezzanine, two companies that specialize in lending to small and midsize companies.

Investors are particularly drawn to the field because it is almost entirely supported by individual payments rather than being dependent on public financing. "I've been in the private equity business for 15 years, and I don't like to invest in companies where, with one strike of a pen, you can wipe out your business," said Nader J. Naini, a general partner with Frazier Healthcare and also the chairman of Aspen's board.

Since Frazier invested in Aspen, Mr. Naini said he had been approached several times by other groups wanting to buy the company. Frazier is in no hurry to sell its share, though, he said, because he expects continued growth.

Aspen and similar companies may go public at some point, company officials said. If Aspen went public, it would have to open its books to investors, allowing them to see its profit margins and operating costs. The company has 31 programs in 11 states, up from 6 programs in 1998. Aspen has recently expanded into the obesity market, offering schools and camps for overweight teenagers.

Industry analysts estimate that the companies typically generate profit margins of 10 to 20 percent.

Kirsten Edwards, an equity research analyst at ThinkEquity Partners, a research and investment banking firm in San Francisco, said larger companies were more efficient because they could spread the cost of their curriculums, marketing and overhead as they expand.

Universal Health Services, the hospital management company, acquired 12 properties from Charter Behavioral Health Systems for $105 million in 2000. That acquisition included the Provo Canyon School in Utah, which has been around since the 1970's as a help center for teens.

The company is set to take over several therapeutic schools that were run by CEDU Education, the earliest large company in therapeutic teenage help and a branch of Brown Schools, now bankrupt. Brown, which was based in North Palm Beach, Fla., went bankrupt in March largely because of lingering legal costs from lawsuits filed by several former students, said a spokesman for McCown De Leeuw, the private equity firm that owned Brown. Universal Health's bid of $13.35 million for the properties has been accepted by the bankruptcy judge, and the sale is expected to close at the end of the month, said George L. Miller, a partner at Miller Coffey Tate in Philadelphia and the bankruptcy trustee for Brown.

Another private company, Three Springs, has seized on the market growth in the last five years, adding six new programs. Three Springs now has 25 programs, and may continue to expand.

"What we are trying to do is build a continuum," said Sharon Laney, the company's chief operating officer. "If the kid does not fit this model, we have another."

Many teenager help programs were founded by counselors and therapists wanting to start their own businesses or by people who have had troubled teenagers in their lives. Some parents of graduates of these programs - among them Joel J. Horowitz, chairman of the board and the former chief executive at Tommy Hilfiger - have been so impressed by the schools that they have started foundations to help finance the programs for those who have trouble affording them.

A new reality television show on ABC this summer, "Brat Camp," which shows a wilderness program in action, could spur even greater interest by giving more parents insights into the programs.

Ms. Davies, the Richmond mother, said she wished she had found her daughter's new school in New York sooner. The other programs her daughter attended, she said, were not the right matches - and they cost a lot of money.

For now, Ms. Davies said, she is focusing on her hopes that her daughter will have a breakthrough and realize that she needs to change. But she said she was also wondering how she and her husband would meet all the bills. Already, they have dipped into their home equity.

"We're going have to reconcile this at some point, and it's going to be tough," she said. "I don't think we have a choice."

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