

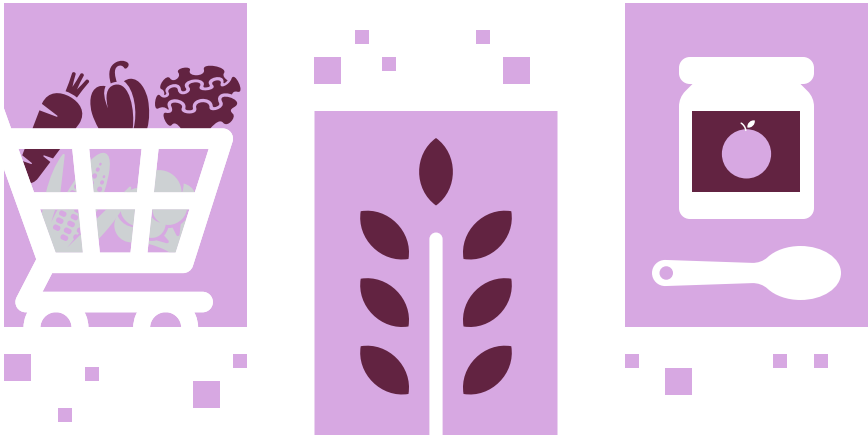
12. LEVERAGING RESEARCH TO SUPPORT THE NATION'S FOOD SAFETY NET

Patricia Bailey is a senior program analyst in the WIC Program Integrity and Monitoring Branch in the Food and Nutrition Service of the U.S. Department of Agriculture.

Amy Herring is the chief of the WIC Program Integrity and Monitoring Branch in the Food and Nutrition Service of the U.S. Department of Agriculture.

Elizabeth Barrett is a senior program analyst in the WIC Program Integrity and Monitoring Branch in the Food and Nutrition Service of the U.S. Department of Agriculture.

Sarah Widor is the director of the Supplemental Food Programs Division in the Food and Nutrition Service of the U.S. Department of Agriculture.



The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides healthy foods, infant formula, health care referrals, and nutrition education to low-income, nutritionally at-risk pregnant and post-partum women, infants, and children under 5.¹ The U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) administers WIC, which was launched as a pilot program in the 1970s. FNS provides grants to state agencies, usually health departments, to fund service delivery.

State agencies use cost containment strategies to keep food costs relatively low, and these strategies, coupled with annual program funding, have enabled WIC to serve all eligible individuals seeking program benefits over the past several years. In fiscal year 2017, WIC served approximately 7.3 million people, or participants, each month. In the same year, WIC provided \$3.6 billion worth of nutritious food to participants. WIC provides foods that meet the specific nutritional needs of participants, including milk, eggs, whole grains, fresh fruits and vegetables, and more. In addition, WIC also provided \$2 billion to state agencies to operate the program and to provide nutrition education, including breastfeeding promotion and support.

WIC is a cost-effective program that improves the health and nutrition of low-income women, infants, and children. WIC makes moms healthier, results in longer and safer pregnancies, and improves dietary outcomes for infants and children.²

Beyond serving WIC participants, the program supports the broader community through its grocery store, or vendor, authorization policies. The presence of WIC-authorized vendors improves the availability and variety of healthy foods, which means that all shoppers have greater access to fruits, vegetables, and whole grains, regardless of whether they participate in the program or not.³

This case study will discuss how FNS identified a nationwide WIC challenge, employed strategically designed research, and developed actionable guidance to improve state agency compliance with federal regulations.

ISSUE BACKGROUND

WIC prescribes participants specific foods designed to meet their nutritional needs during critical periods of growth and development. For example, a pregnant mom, her 10-month-old baby, and her 4-year-old son each receive different WIC foods since they have different needs.

To purchase WIC foods, most participants use either paper checks or electronic benefit transfer (EBT) cards that specify the amounts and types of foods prescribed. Participants shop for foods at WIC-authorized vendors and pay using their WIC checks or EBT cards. Vendors then request reimbursement for those foods from the WIC state agency.

With the exception of the cash-value benefit, which allows participants to purchase fresh fruits and vegetables, WIC provides specific amounts and types of food. As a result, participants do not have to worry about the cost of WIC foods as they shop. In order to ensure that this does not result in high costs to the program, WIC regulations require state agencies to have cost containment policies and procedures in place to mitigate two types of costs:

- **Food costs:** State agencies select foods for WIC authorization from among those that meet federal nutritional standards. During this process, they consider food costs and, for example, may choose to authorize generic brands or enter into rebate contracts with manufacturers. WIC regulations require state agencies to have a rebate contract in place for infant formula. In fiscal year 2017, infant formula rebates saved the program \$1.7 billion.
- **Vendor costs:** State agencies are responsible for all aspects of vendor management, including selecting, authorizing, and overseeing vendors. They must select and authorize vendors with competitive prices and ensure that vendors charge WIC appropriately for foods.

The Child Nutrition and WIC Reauthorization Act of 2004, and the subsequent WIC Vendor Cost Containment Final Rule, published in 2009, made significant updates to vendor cost containment requirements.^{4,5} Some of these include:

- Grouping vendors based on common characteristics that affect food prices. These groupings are known as “vendor peer group systems.” Each state agency must assess its system at least every three years to ensure it remains effective.
- Ensuring that vendors charge competitive prices for food.
- Establishing price limitations (that is, the maximum price a vendor may be reimbursed for food items sold to WIC participants).

Together, these three requirements promote good stewardship of taxpayer dollars by providing a framework for state agencies to use as they contain vendor costs, thus protecting the program's ability to serve all eligible women, infants, and children who apply.

In order to ensure that vendor cost containment systems are effective, state agencies must develop and implement statistically sound vendor peer group systems. This involves conducting complex statistical analyses to determine which factors play the largest roles in vendor pricing in the state. After conducting these analyses, state agencies may choose to group vendors by size, location, ownership structure, or other factors.

By grouping vendors together based on common characteristics that affect food prices, state agencies can make informed decisions about how much each store should charge for WIC foods. Vendor peer group systems allow the state agency to compare one vendor's prices with the prices of similar vendors, or "peers." For example, a state agency could use its peer group system to determine whether a small, family-owned corner store's price for WIC foods is similar to other small stores and make WIC vendor authorization decisions accordingly. A state agency could also determine the maximum price it is willing to pay that store for a carton of eggs based on the prices at similar stores.

By allowing for peer-to-peer comparisons, vendor peer group systems create a straightforward method for determining whether a vendor is competitively priced and for establishing price limitations. Authorizing competitively priced vendors and paying them appropriately are critical to containing program costs. Ineffective vendor peer group systems undermine vendor cost containment efforts, weakening the state agency's ability to manage costs. For example:

- If a state agency cannot reliably identify competitive prices, it could authorize vendors with unreasonably high prices. This could inflate food costs.
- If a state agency sets price limitations so low that competitively priced stores cannot make a profit from WIC sales, they might stop participating in WIC. This could reduce participant access to WIC foods.

In order to ensure that vendor peer group systems operate as intended over time, WIC regulations require state agencies to periodically assess them for continued effectiveness and to make appropriate changes.⁶

In recent years, FNS reviewed state agencies' WIC vendor cost containment policies and procedures for compliance with federal requirements and to identify areas that could be improved. FNS found that many state agencies had not assessed the effectiveness of their vendor peer group systems, as required, in order to make appropriate changes. Because peer group systems serve as the foundation of other important vendor cost containment requirements, FNS determined that follow-up efforts must focus on improving state agency compliance with vendor peer group system requirements.

EVIDENCE AVAILABILITY

To initiate this effort, FNS held discussions with various state agencies to learn about the barriers to compliance with vendor peer group system requirements. These state agencies noted that the required assessment is a very resource-intensive process that requires complex statistical analyses. Many reported that they did not have access to the resources and staff necessary to complete statistical tasks, nor did they have the expertise to interpret or use statistical analyses conducted by outside entities. Even state agencies with access to relevant resources raised questions about how to conduct and use a vendor peer group assessment. Most importantly, state agencies reported that FNS guidance was outdated and ineffective because it did not reflect recent changes in the program and retail market, such as the transition to EBT.

Based on state input, FNS decided to update guidance on vendor peer group systems. FNS contracted with the Altarum Institute to study and outline a statistically sound methodology that state agencies could use to assess and develop effective vendor peer group systems. Researchers identified vendor characteristics that affect pricing and determined which characteristics most WIC state agencies could use. FNS required the researchers to consider state diversity in terms of geography, size, and the numbers and types of vendors authorized, and to develop a methodology that could be tailored to meet each state's needs.

The study identified three common and easily defined vendor characteristics that generally predict vendor prices: (1) store type, (2) geography, and (3) number of cash registers. The WIC peer group report describes these three characteristics, along with how state agencies can use them to assess and update their systems.⁷

While the study did not change vendor cost containment requirements, it provided an evidence-based methodology for conducting a vendor peer group assessment and using it to make system improvements. After reviewing the study, many state agencies reported that they understood and agreed with the approach as presented but still lacked the resources necessary to adopt the framework.

EVIDENCE USE

FNS set out to assist states with implementation and determined that the best approach was to develop additional resources for state agencies to use to adopt the methodology recommended in the study. FNS worked with the researchers to develop a practical vendor peer group toolkit, which clearly outlines the step-by-step process of conducting a vendor peer group assessment and developing vendor peer groups using data available to state agencies. The toolkit includes step-by-step lesson plans, sample datasets and Excel worksheets, and video demonstrations.

The toolkit empowers WIC state agencies with limited resources to independently conduct statistically sound vendor peer group assessments and to update their peer group systems so that they can be used, as intended, as the foundation of their vendor cost containment systems.

While a few states completed their most recent vendor peer group assessments in close collaboration with FNS staff, many others have reported that the materials made it possible for them to complete the assessment on their own. As a result, they are able to comply with vendor cost containment requirements and ensure that their vendor peer group systems are working as intended.

State agencies reported that the study's recommended peer group characteristics and methodology were helpful and greatly reduced the resources necessary to conduct an assessment and update their peer groups. One WIC state agency reported that, after using the toolkit as a starting point, it was inspired to tap into additional resources to complete an even more robust analysis. Notably, a few state agencies have reported using the toolkit to proactively assess their peer group systems ahead of schedule or to enhance vendor management after EBT implementation.

Additionally, the toolkit serves as a training resource to support FNS staff tasked with providing technical assistance to state agencies. In 2017, FNS headquarters used the toolkit to provide training to regional office staff who work directly with states. In turn, regional office staff used the toolkit to provide training and technical assistance to their respective states.

The robust data analysis included in the study led decision-makers at FNS to develop a toolkit to support effective policy implementation and, consequently, additional data analysis at the state level. This course of action demonstrates the range of possibilities available to entities seeking to support effective policy implementation.

LESSONS

- **Research does not have to end at finding the problems.** FNS' strategic use of research around WIC vendor peer group systems resulted in one of the most comprehensive pieces of WIC guidance to date. Through the development of the toolkit, FNS was able to illustrate *how* to accomplish a task, instead of simply outlining *what* must be done. The success of this effort can be a guide to ensure that future research projects have actionable results and create user-friendly tools for states to use as they work to implement eventide-based recommendations."
- **Policy implementation can be improved when using evidence and resources.** FNS continues to look for ways to leverage innovative ideas and data-driven strategies to improve WIC program integrity and provide excellent customer service to state partners. The combination of designing the study to offer practical solutions and the development of the vendor peer group toolkit has made a positive impact on WIC state agencies' ability to comply with related requirements and to build their vendor cost containment systems on a strong foundation. State agencies use of the toolkit has resulted in increased compliance with federal requirements, improved vendor peer group systems for several state agencies, and increased confidence in both FNS and state staff responsible for keeping WIC vendor cost containment systems up to date and working as intended. ■

- 1 WIC provides services to children until their 5th birthday.
- 2 U.S. Department of Agriculture. "About WIC-WIC's Mission." Last modified February 14, 2018. Available at: <https://www.fns.usda.gov/wic/about-wic-wics-mission>.
- 3 T. Andreyeva, et al. "Positive Influence of the Revised Special Supplemental Nutrition Program for Women, Infants, and Children Food Packages on Access to Healthy Foods." *Journal of the Academy of Nutrition and Dietetics*, 112(6): 850-858, 2012.
- 4 *Child Nutrition and WIC Reauthorization Act of 2004*. Public Law 108-265, 2004.
- 5 "Food Delivery Methods." 7 CFR 246.12.
- 6 7 CFR 246.12.(g)(4)(ii)(C).
- 7 Stacy Gleason, et al. *WIC Vendor Peer Group Study: Final Report and State Agency Guidelines*. Altarum Institute, May 2017. Available at: <https://fns-prod.azureedge.net/sites/default/files/ops/WICVendorPeerGroup.pdf>.