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# Assessment of WIC Cost-Containment Practices

## Final Report

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### Abstract

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides both nutrition education and supplemental foods for pregnant, breastfeeding, and postpartum women, infants, and children. These supplemental foods contain nutrients that nutritional research has found may otherwise be lacking in the diets of WIC recipients. State WIC agencies have implemented practices designed to reduce the cost of food packages containing these prescribed foods. For instance, one of the WIC program's primary cost-saving practices is negotiating rebate contracts with manufacturers of infant formula. Additional practices include limiting authorized vendors to stores with lower food prices; limiting approved brands, package sizes, forms, or prices; and negotiating rebates with food manufacturers or suppliers. There is concern that these practices may inadvertently counter the program's goal of providing supplemental foods and nutrition education. Based on a review of cost-containment practices in six States, including interviews with the various stakeholders and analysis of WIC administrative files, the study draws three major conclusions: (1) cost-containment practices reduced average food package costs by 0.2 to 21.4 percent, depending on practices implemented and local conditions; (2) the cost-containment practices had few adverse outcomes for WIC participants; and (3) administrative costs of the practices were low, averaging about 1.5 percent of food package savings.

A summary of this report, *Assessment of WIC Cost-Containment Practices: Executive Summary*, is also available online at [www.ers.usda.gov/publications/efan03004](http://www.ers.usda.gov/publications/efan03004).

**Keywords:** WIC Program, cost-containment, food-item restrictions, vendor restrictions, manufacturers' rebates, food package costs

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A great appreciation goes to the WIC program directors and staff in the six States that participated in this study: California, Connecticut, North Carolina, Ohio, Oklahoma, and Texas. In addition to participating in lengthy interviews about their cost-containment practices, they provided data files and other critical information needed for the study. We thank them for their full cooperation and assistance, and for the comments they provided on a draft of this report.

We also wish to thank the many WIC participants, vendors, and other stakeholders who responded to our requests for information during the course of the study. We interviewed nearly 1,300 WIC participants, collected price data from over 100 WIC vendors, collected detailed point-of-sale information on WIC transactions in nearly 600 supermarkets, and conducted focus groups with participants who had dropped out of WIC. We also conducted interviews with representatives of the Food Marketing Institute, the Grocery Manufacturers of America, the National Grocers Association, the National WIC Association, the Private Label Manufacturers Association, and the national and regional offices of the FNS. To all these individuals, vendors, and groups, we extend our heartfelt thanks.

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## Summary

The Food and Nutrition Service of the U.S. Department of Agriculture (USDA), together with designated State agencies, administers the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program provides both nutrition education and supplemental foods containing nutrients determined by nutritional research to be lacking in the diets of pregnant, breast-feeding, and postpartum women, infants, and children. Funding is provided by FNS to State WIC agencies through annual appropriations from Congress. Each State's cash grant includes a food grant and a Nutrition Services and Administration (NSA) grant. In FY2001, food grants totaled \$3.0 billion, or approximately 73 percent of the total cash grant. Cost savings through infant formula rebates provided an additional \$1.5 billion in funding; FNS estimates that the rebates would support about 28 percent of the WIC caseload.

In an effort to ensure the best use of available funds and to provide for participation by all eligible individuals, State WIC agencies have implemented practices designed to reduce the cost of food packages containing these prescribed foods. For instance, one of the WIC program's primary cost-saving practices is negotiating rebate contracts with manufacturers of infant formula. Additional practices include limiting authorized food vendors (such as supermarkets and grocery stores) to outlets with lower food prices; limiting food-item selection according to brand, package size, form, or price (for instance, requiring purchase of least cost items); and negotiating rebates with food manufacturers or suppliers.

Concerns have been raised that State cost-containment practices may have adverse effects on WIC participants. As part of the William F. Goodling Child Nutrition Reauthorization Act of 1998, the U.S. Congress directed the Economic Research Service, USDA, to assess the impacts of WIC cost-containment practices on the following outcome measures: program participation; access and availability of prescribed foods; voucher redemption rates and actual food selections by participants; participants on special diets or specific food allergies; participant use and satisfaction of prescribed foods; achievement of positive health outcomes; and program costs.

To estimate and understand the relationships between State WIC cost-containment practices, program costs, and WIC participant outcomes, the study selected six States for detailed examination: California, Connecticut, North Carolina, Ohio, Oklahoma, and Texas. These States represented a mixture of practices. Throughout this study, outcomes in States with specific practices are compared with outcomes in States without those practices. Information on practices and outcomes was collected from program administrative data, interviews with State and local officials, interviews with WIC participants, a survey of WIC food prices and item availability, supermarket transaction data, and focus groups of WIC dropouts.

Three major findings resulted from this study: (1) cost-containment practices implemented in California, Connecticut, Oklahoma, and Texas were successful in reducing average food package costs by substantial amounts; (2) cost-containment practices were associated with few adverse outcomes for WIC participants, and (3) State and local office administrative costs attributed to cost-containment practices were relatively minor compared with associated food cost savings.

Although the case study States represent the range of cost-containment practices in use, these findings may not apply to all States. Outcomes may differ depending on ongoing efforts by States to find those restrictions that both reduce food package costs and are acceptable to participants. Selecting

and managing appropriate cost-containment practices is therefore a dynamic process, requiring ongoing attention to price and availability of approved food items, as well as participant preferences. States therefore need the flexibility to find the right balance between food cost reductions and limits on participant choice and use.

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