



Assessment of WIC Cost-Containment Practices

Food Assistance Research Brief

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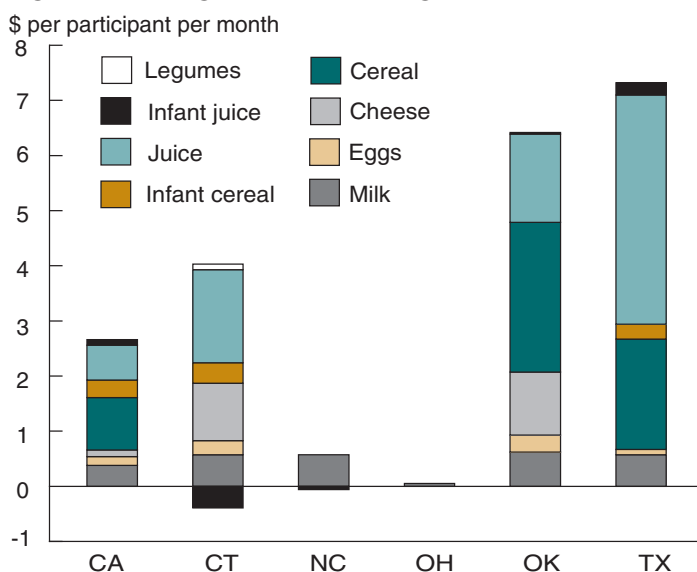
Issue: In an effort to ensure the best use of available funds and to provide benefits to all eligible individuals, State agencies responsible for carrying out the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) have implemented one or more cost-containment practices. Do these practices adversely affect WIC participants' food consumption, access to authorized food stores, program participation, and related factors to the extent that overall nutrition and health goals are undermined?

Background: Current cost-containment practices are designed to reduce the average food cost per WIC participant, by limiting access to 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; and mandating the use of certain brands in exchange for rebates from food manufacturers or suppliers. Despite potential food cost savings, some are questioning whether cost-containment practices may reduce WIC participants' satisfaction and their program participation, thereby countering overall goals of supplementing diets with nutritious foods.

At the request of Congress, the Economic Research Service (ERS) initiated a study to assess the impact of WIC cost-containment practices used by States to reduce food costs. Manufacturers' rebates of infant formula, the program's primary cost-saving source, totaling \$1.5 billion in fiscal year 2001, was excluded from the authorizing legislation. After a detailed State-by-State review of WIC cost-containment practices, six States were selected for case studies: California, Connecticut, North Carolina, Ohio, Oklahoma, and Texas. These States represent the range of cost-containment practices being used, including those that had practices thought to be restrictive enough to have measurable outcomes. During 2000-2002, information was gathered from a number of sources, including surveys of WIC participants, authorized stores, and individual State agencies. In the analysis, States with specific ongoing practices (restricted States) are compared with outcomes in States without those practices (unrestricted States).

Figure 1. Average food cost savings¹



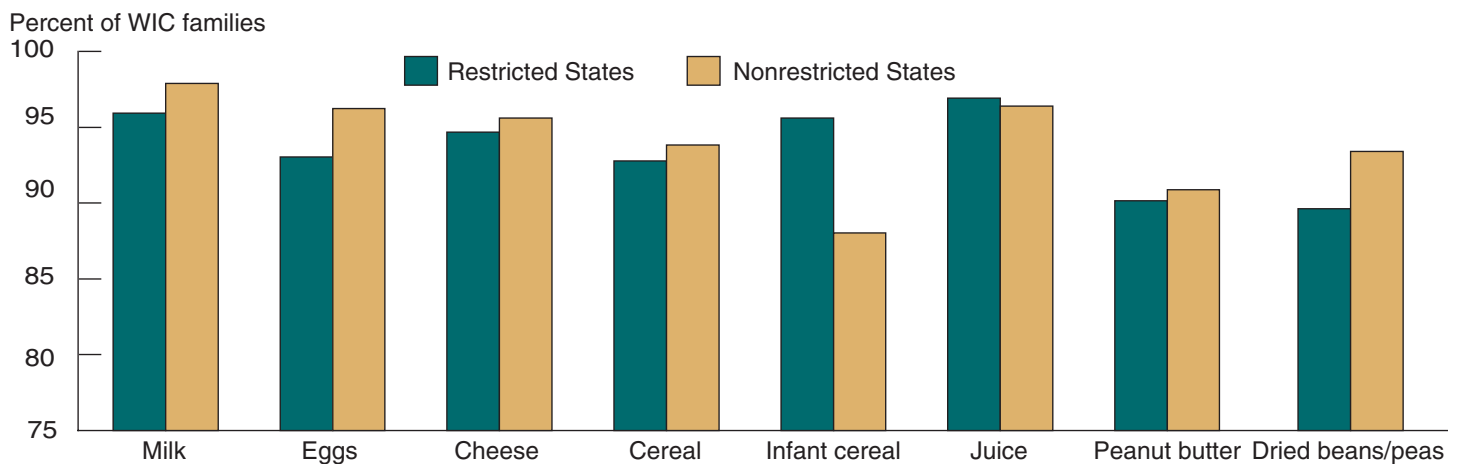
¹In both Connecticut (CT) and North Carolina (NC), prescribing single-strength juice for infants instead of infant juice led to increased costs, which show as negative savings. For those two States, the height of the total savings column in the figure must be reduced by the negative savings amount to calculate an estimate of net savings.

Sources: Survey of Food Prices and Item Availability, State administrative data on food packages, and interviews with State officials.

Findings: Three major findings resulted from the ERS study.

Food cost savings were often substantial

Average food package costs, excluding the cost of infant formula, varied from a low of \$24.26 per participant month (PPM) in Oklahoma to a high of \$35.72 PPM in California (fig. 1). The largest contributors to average food package costs in the six States were milk, juice, cereal, and cheese. Cost-containment practices led to estimated savings as high as \$6.43 PPM in Oklahoma and \$7.33 PPM in Texas. The large savings in Oklahoma and Texas were due primarily to food-item restrictions on juice and

Figure 2. WIC families consuming "all" prescribed food¹

¹Significant differences between restricted and nonrestricted States exist for milk, eggs, infant cereal, and dried beans/peas.

Source: ERS Survey of WIC participants, 2001.

cereal. In California and Texas, the States with the largest WIC caseloads, estimated annual savings from cost-containment practices in 2001 were nearly \$40 million and \$66 million, respectively. Even in Oklahoma, a State with a relatively small WIC caseload, estimated annual savings were \$6.7 million in 2001.

There were few adverse outcomes for WIC participants

Most WIC participants surveyed for the study indicated they were “very satisfied” with the food brands and package sizes allowed on their State’s list of approved foods, with some exceptions (only about 50 percent were very satisfied with the cereal brands allowed). Differences in satisfaction levels between States with and without restrictions were small and statistically insignificant. There was little evidence that food-item restrictions caused participants to buy less food, and the purchased food in States with restrictions were usually just as likely to be eaten as food purchased in States without food-item restrictions (fig. 2).

Administrative costs of cost-containment practices were low

Although difficult to measure precisely, the cost-containment practices implemented by the case study States were relatively inexpensive to operate. Annual costs per participant ranged from \$0.14 in Oklahoma to \$1.03 in Connecticut. The six-State average annual cost was \$0.58 per participant. These additional administrative costs are negligible compared with annual food cost savings. The estimated costs, when measured against States’ estimated food cost savings, averaged about 1.5 percent for the four States

with restrictive practices. These estimates may understate or overstate actual costs somewhat because the States could not always provide uniform and complete information needed to estimate costs for specific cost-containment activities.

Summary: The cost-containment practices implemented by the six case-study States reduced food-package costs, had few adverse impacts on WIC participants, and were relatively inexpensive to manage and operate. This study provides strong evidence that cost-containment practices can be effective without jeopardizing WIC program goals. In carrying out this study, it became evident that the success of cost containment in the case study States was the result of ongoing efforts by these States to find those restrictions that both reduced food package costs and were acceptable to participants. For instance, all six States collected price information on a regular basis and obtained feedback from local WIC offices on participant comments on allowed foods. Selecting and managing appropriate cost-containment practices is therefore a dynamic process, requiring ongoing attention to local food markets (especially price and availability of approved food items) and participant preferences.

Information Sources:

Kirlin, John A., Nancy Cole, and Christopher Logan, *Assessment of WIC Cost-Containment Practices: Final Report*, Economic Research Service, Washington, DC. 20036.

<http://www.ers.usda.gov/publications/fanrr31/>
<http://www.ers.usda.gov/publications/efan03005/>
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