

Cost Containment and Participant Access in USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): Evidence From the Greater Los Angeles, CA, Area

Patrick W. McLaughlin, Michelle Saksena, Tina L. Saitone, Meilin Ma, Richard Volpe, Qi Wu, and Richard J. Sexton

What Is the Issue?

Food assistance in the USDA Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) generally operates by providing vouchers or electronic benefit transfers (EBT) for WIC-approved foods to be obtained from commercial food retailers. WIC State agencies then reimburse retailers for foods at rates reflecting the prices charged by the vendor up to State-regulated limits. The prices charged by stores can thus affect the State's WIC food costs. WIC State agencies authorize retailers to serve as WIC vendors and have significant latitude in choosing the types of retailers to authorize. Virtually all State agencies have WIC vendors that are large retailers, while some also authorize small and nontraditional food retailers such as convenience stores and pharmacies. A small number of States authorize so-called "above 50 percent" (A50) vendors who derive the majority—and in some cases all—of their food sales from WIC transactions. These stores have special pricing regulations, potentially adding administrative costs, but are more convenient for some WIC shoppers because they specialize in selling WIC-approved foods. When constructing a portfolio of authorized vendors, State agencies may face a tradeoff between ensuring that food costs are sufficiently contained and promoting participants' access to vendors. Large food retailers may have lower prices for WIC food items than small food retailers—and thus impose lower food costs on State WIC programs, on average—but not all participants live near large vendors.

What Did the Study Find?

This study provides an in-depth look at the tradeoff between convenience for WIC participants and WIC program costs in the California WIC program, synthesizing five studies of WIC in Greater Los Angeles Area (GLA). California provides an ideal case study because it authorizes a wide variety of retailer types to accept WIC benefits and is the largest State WIC program in the Nation. Each of the studies we reviewed used administrative data on WIC transactions in California to answer research questions addressing cost containment and participant access.

The studies found that:

- Small vendors (other than small A50 vendors) in California charged considerably higher prices than large vendors for comparable goods. For example, large vendors charged prices that were on average 37 to 48 percent less compared to the smallest vendors for a food bundle consisting of milk, breakfast cereal, and whole grains.
- Small vendors were less likely to charge significantly higher prices for WIC items when facing increased competition from the presence of supermarkets.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

- Small vendors accounted for 15.5 percent of the value of all WIC sales in the State during the study period, so the total impact of the relatively high prices on WIC food costs at small vendors is limited.

The presence of small vendors reduced shopping distances for some participants. Small vendors in GLA were identified, and a simulation modeling WIC shopping in their absence from the market was conducted, with the simulation modeling the effects on participant access. The simulation found that the nearest remaining WIC vendor was over 0.5 miles away in 42 percent of cases and 1 mile away in 17 percent. Small-vendor availability appeared particularly important for WIC participants in low-income and low-food-access areas, who traveled farther to redeem benefits than those in normal-access areas in GLA.

- In a similar study simulating the absence of existing A50 stores in GLA, 21 percent of participants who conducted the majority of their shopping at these vendors would have had to travel farther to shop. Simulated food costs were higher without the competition of nearby A50 stores.

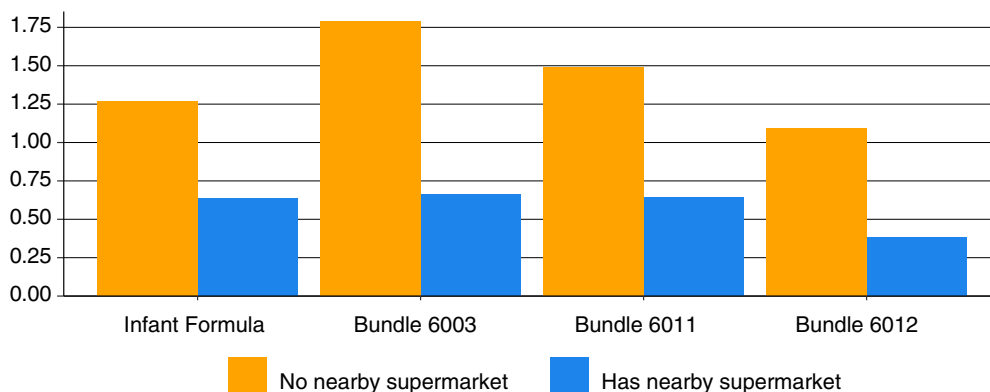
Taken together, the results of these studies suggest that authorizing more stores can foster competition that can improve participant access to WIC-approved foods while containing food costs through increased competition. These findings were dependent on the pre-existence of a wide variety of food retailers serving an urban food environment, which may not be true of all local food environments in the Nation.

How Was the Study Conducted?

To answer research questions on cost containment and participant access, this report synthesizes the results of five studies, using administrative data on WIC transactions in the Greater Los Angeles Area during October 2009 to December 2013. The empirical data provided information on the dollar value of WIC transactions, the vendors undertaking the transaction and their characteristics, the local WIC clinic issuing the benefit, and an anonymous participant ID number to track transactions over time. Each study employed econometric methods to estimate the relationship between WIC vendor pricing and key economic variables relevant to food access and cost containment concerns. In addition, several studies employed simulation techniques to estimate the impact on food access and food costs from the hypothetical absence of small vendors and A50 vendors.

Small stores' WIC prices are higher when they have more WIC customers, but less so when a supermarket is present

Price change associated with 10-percent increase in the WIC share of a small store's total food sales (dollars)



WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

Note: Infant formula refers to one 12.5 oz can of powder infant formula. Bundle 6003: low-fat milk, whole grains, breakfast cereal; Bundle 6011: low-fat milk, whole grains, 128 oz. juice; Bundle 6012: low-fat milk, eggs, cheese, peanut butter/dry beans; infant formula bundle: 4 cans of Enfamil formula concentrate, 13 oz. A supermarket is said to be “nearby” if one exists in the small store’s ZIP code.

Source: Ma et al. (2019).