

2013 WIC VENDOR MANAGEMENT STUDY (SUMMARY)

Background

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides supplemental nutrition assistance, nutrition education, breastfeeding promotion and support, and referrals to health and social services for low-income, nutritionally at-risk pregnant, breastfeeding, and postpartum women, as well as to infants and young children up to age 5. WIC participants receive food instruments (FI) to purchase nutritious supplemental foods including a Cash Value Voucher (CVV) specifically for fruits and vegetables. Ninety WIC State agencies administer the program through more than 48,000 authorized food vendors.

This study is part of a larger FNS effort to ensure WIC program integrity and to comply with the Improper Payments Information Act of 2002 (IPIA) (Public Law 107-300), which requires FNS to estimate improper payments (IP) in its programs.

To evaluate program integrity, the 2013 report includes two complementary studies:

- A study, comparable to the 1998 and 2005 WIC Vendor Management Studies, which examined purchases made through compliance buys using paper- or Electronic Benefit Transfer (EBT)-based FIs, and
- A cash value voucher study, which examined purchases made through compliance buys using the CVVs or, in the case of EBT, cash value benefits (CVBs) to purchase fruits and vegetables.

Methods

The study used a nationally representative sample of 1,904 WIC vendors. Approximately 5,600 compliance buys were conducted by undercover shoppers. There were three types of compliance buys:

1. **Safe Buy:** The shopper attempted to purchase all foods prescribed on the FI in the quantities and sizes indicated. For the CVV study, the shopper tried to purchase the full CVV value. In EBT States, the shopper attempted to purchase foods normally prescribed on a single paper FI.
2. **Partial Buy:** The shopper attempted to purchase some, but not all, of the items listed on the FI or, in the case of the CVV, less than the full value.
3. **Substitution Buy – “Minor” and “Major”:** During a minor substitution buy, the shopper attempted to substitute an unauthorized food item within an authorized food category (e.g., sugar-sweetened fruit drink for 100-percent fruit juice). During a major substitution buy, the shopper attempted to substitute an unauthorized food item (e.g., soda) for an authorized food.

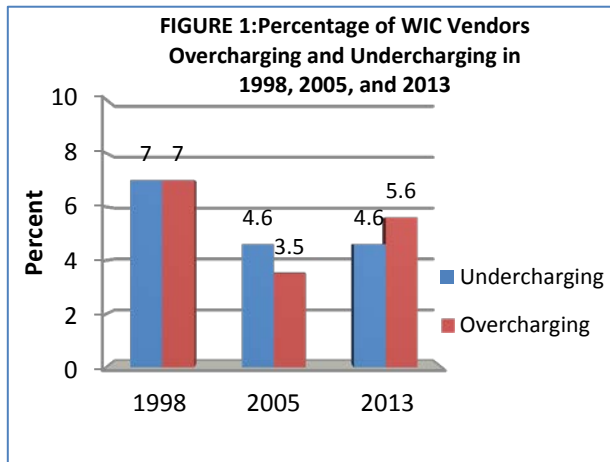
Overcharge and undercharge occur when a vendor charges a WIC participant a different price than a non-WIC participant would pay. As required by IPIA, the study calculated the total improper payment rate – the sum of the absolute value of the overcharges and undercharges – based on the safe buys.

Findings

Overcharge: Overall, 5.6 percent of vendors overcharged during the safe buy. The average value of overcharge was \$0.06 out of an average cost per buy of \$27.54. When limited to only those vendors that overcharged, the average dollar value for overcharge was \$1.08.

Undercharge: Overall, 4.6 percent of vendors undercharged. The average value of undercharge was \$0.07 out of an average cost per buy of \$27.54. When limited to only those vendors that undercharged, the average dollar value of undercharge was \$1.53.

Overcharge and undercharge frequency rates for safe buys by study year are presented in Figure 1.



Source: 2013 WIC Vendor Management Study

Minor Substitutions: The use of EBT for benefit delivery decreased unallowable substitutions in the base and CVV studies with 20.2 percent of vendors in paper-based States allowing a minor substitution during the base study, compared to 7.3 percent of vendors in EBT States ($p < 0.001$). Similarly, 45.7 percent of vendors in paper-based States allowed a minor substitution during the CVV study, compared to 19.0 percent of vendors in EBT States.

Major Substitutions: During the base study, 5.6 percent of all vendors allowed a major substitution (e.g., sugar sweetened beverages or chips). The proportion of vendors allowing substitutions on the CVV used to purchase fruits and vegetables, however, was much higher: 18.2 percent allowed a major substitution.

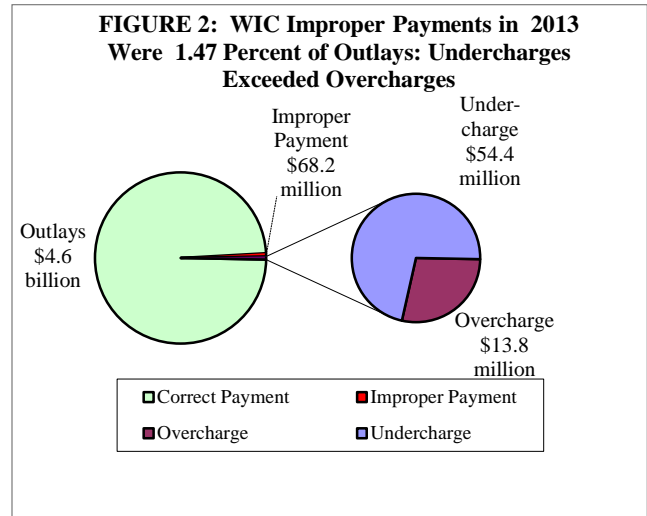
Improper Payments: In accordance with IPIA and Office of Management and Budget guidelines of May 2003, the study considered both overcharges and undercharges. The national estimate of improper payments (IP) is the sum of the *absolute value* of overcharges and undercharges. The national dollar estimate of IPs is \$68.2 million.¹

Approximately 80 percent (\$54.4 million) of the total national estimate of improper payments is

¹ Excludes AK, HI, MS, VT, Indian Tribal Organizations and Territories.

attributed to undercharges, while 20 percent (\$13.8 million) can be attributed to overcharges. The net value of these two violations is negative (-\$40.6 million).

The IPIA erroneous payment estimate is \$68.2 million, or 1.47 percent (0.30 percent overcharges and 1.17 percent undercharges) of the total \$4.6 billion 2012 food benefit portion of WIC (Figure 2).



Source: 2013 WIC Vendor Management Study¹

Conclusion

Overall, 5.6 percent of vendors overcharged during the base study safe buy, and 4.6 percent undercharged. The total improper payment amount was \$68.2 million.¹ Eighty percent of improper payments (\$54.4 million) is due to undercharges, while 20 percent (\$13.8 million) is due to overcharges. Thus, the net value of payment errors is a savings of \$40.6 million.

For More Information

Gleason, S., Pooler, J., Bell, L., Erickson L., Eicheldinger C., Porter, J., Hendershott, A. (2013). WIC Vendor Management Study. Prepared by Altarum Institute and RTI International Under Contract No. AG-3198-C-11-0009. Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service. Project Officer: Dr. Joseph F. Robare. Available online at:

www.fns.usda.gov/research-and-analysis