

DEC 20 2010

The Honorable Blanche L. Lincoln
Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
328-A Russell Senate Office Building
Washington, D.C. 20510-6000

Dear Madam Chairman:

Section 4141 of the Food, Conservation and Energy Act of 2008 (FCEA) authorized and provided funding for the Secretary of Agriculture to test the use of financial incentives at the point-of-sale to encourage households receiving Supplemental Nutrition Assistance Program (SNAP) benefits to purchase fruits, vegetables or other healthful foods. FCEA also directed the Secretary to submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate by the end of December each year, describing the status and results of the pilot operated under this authority. This letter serves as the second annual report to Congress on the Healthy Incentives Pilot (HIP)—our name for the FCEA-funded initiative.

Overview

The design of the pilot and evaluation has been guided by our desire to successfully increase fruit and vegetable purchases, meet statutory requirements for a strong evaluation, and remain within the available funding.

Consistent with the goal of increasing fruit and vegetable consumption, the pilot will provide participating households a financial incentive that equals 30 percent of their SNAP spending on ‘targeted’ fruits and vegetables. Target fruits and vegetables are those allowed by Federal regulations for purchase with the Special Supplemental Nutrition Program for Women, Infants, and Children fruit and vegetable vouchers. These include most fruits and vegetables available as fresh, frozen, canned or dried. Among the products which will not earn an incentive are vegetables or fruits with added sugar, salt, fat, or oil.

Incentives will be credited to the household’s electronic SNAP account with each target food purchase and can be used just like any other SNAP benefits. The total value of incentives which can be earned will be subject to a monthly cap to discourage misuse.

A rigorous evaluation will be conducted to assess the impact of HIP on participants' intake of fruits and vegetables. Specifically, the evaluation will determine:

- the impact of the financial incentive on individual consumption of fruits and vegetables;
- the impact of the financial incentive on foods other than qualifying fruits and vegetables, and on food energy intake overall;
- the extent to which calories consumed from fruits and vegetables displace calories from other food groups;
- what factors influence HIP impacts, such as household demographics, the household food environment, dietary knowledge, attitudes and beliefs, or household shopping patterns;
- what processes are involved in implementing and operating HIP;
- HIP effects on workload and operations in local SNAP offices, retailer operations and patterns of SNAP redemptions among participating and non-participating retailers;
- the costs associated with HIP, including initial start-up, ongoing administration, and the costs of the incentives within the pilot and on a national scale; and
- any challenges encountered and lessons for future implementation.

2010 Achievements

Pilot Site Selection

An announcement of the competition for the pilot cooperative agreement was made on December 18, 2009 with applications due May 21, 2010. Approximately 15 States indicated interest by participating in a conference call prior to the application deadline. Ultimately, about one-third submitted applications. Applications were evaluated by a panel with five representatives from SNAP and the Office of Research and Analysis (ORA). Finalists were sent to the FNS evaluation contractor (see Evaluation Contract Award below) to solicit their feedback on the pilot designs.

Agriculture Secretary Tom Vilsack announced the selection of Hampden County, Massachusetts as the pilot site for HIP on August 19, 2010. Massachusetts was selected based on its comprehensive pilot proposal that included very thorough and strong design, implementation, staffing and management plans. In addition, the pilot site is the poorest in the State and geographically diverse, including a mix of urban, suburban, and rural areas. The site is self-contained, which means that most shopping will occur within the area; thus households will have ample opportunities to earn incentives, allowing a strong test of the intervention. The State's management plan includes significant community partner support as well as support from a wide variety of retailers and farmers' markets that accept Electronic Benefits Transfer (EBT). Training and support for both SNAP participants and retailers is well-designed and comprehensive, ensuring successful implementation of the pilot intervention.

The Massachusetts Department of Transitional Assistance (DTA), the State agency responsible for SNAP and cash assistance, is expected to begin pilot operations in late 2011.

Hampden County, located in western Massachusetts, is a mix of 27 urban, rural, and suburban areas with a total of approximately 50,000 SNAP households. The county has a diverse population with minority groups making up nearly a third of the population. Median household income in Hampden County is the lowest in the State at approximately \$48,482 compared to \$61,660 statewide. A large fraction of SNAP recipients are concentrated in the areas of Springfield and Holyoke, two of the lowest income cities in the State. Massachusetts, like the rest of the country, is in the midst of an obesity epidemic, and residents in the Western region have the highest rates of obesity and related chronic illnesses in the State.

Pilot Implementation Activities

Retailer Recruitment: Hampden County has 416 SNAP-authorized stores; 94 of these stores currently sell produce. SNAP-authorized stores are a mix of national and local supermarket chains, independent retail grocers, convenience stores, and farmers' markets.

Prior to the submission of the State's proposal, all authorized food retailers in Hampden County were invited to participate in HIP. Retailers that expressed interest in HIP received additional information about the pilot. The State is currently following up with non-respondents, and will focus their follow-up efforts in areas where there are retailer gaps. Several organizations are assisting with the recruitment of retailers such as the Massachusetts Food Association, the Western Massachusetts Food Bank, and the Massachusetts Retailer Association. In addition, the State is coordinating with WIC staff at the Department of Public Health who are encouraging their authorized WIC vendors to participate in HIP.

EBT System Work: Planning for the EBT system change occurred during fall 2010. DTA has worked closely with their State EBT vendor, Affiliated Computer Services, Inc. (ACS), to plan for implementation of HIP in Hampden County. A 3-day Joint Application Design (JAD) conference was held to discuss details of changes needed to the EBT system to operate HIP for households randomly sampled to receive the incentives.

Hiring of Key DTA Personnel: Positions for key personnel were posted in October 2010 and newly hired staff are expected to start by the end of 2010. DTA will hire six dedicated staff for the pilot, including a director, assistant director, an EBT specialist, a data and management analyst, and two trainers. In addition, DTA has dedicated the time of several senior level managers and other staff to participate in the implementation of HIP.

FNS Oversight: The State is holding monthly status meetings with FNS staff that involve DTA staff as well as staff from ACS, the EBT vendor for Massachusetts, and members of the Abt Associates evaluation team. FNS is also receiving written monthly status reports from DTA prior to the call and a summary memo after the call, both of which identifies any areas of concern and proposed solutions. Additional information about the pilot can be viewed at www.fns.usda/snap/hip.

Evaluation Contract Award

An announcement of the competition for the evaluation contract was made on December 18, 2009 with proposals due March 15, 2010. Proposals were reviewed by a five member panel made of up representatives from SNAP, ORA, and the Department of Agriculture (USDA) Economic Research Service. In addition, the panel consulted with a senior statistician at the USDA National Agricultural Statistical Service.

On August 19, 2010, Secretary Vilsack announced the selection of Abt Associates, Inc. (ABT) of Cambridge, Massachusetts, as the independent contractor to evaluate HIP. Abt Associates, one of the Nation's leading policy research firms, has extensive experience in food and nutrition studies and in impact studies using experimental designs. Abt is leading an evaluation team that also includes Westat, the Atkins Center for Weight and Health at the University of California at Berkeley, and Imadgen, LLC. Together, these organizations provide FNS with extensive experience executing studies of nutrition programs, implementing and analyzing experimental evaluations, conducting state-of-the-art nutrient data collection, and working with SNAP administrative data and EBT systems.

Abt Associates will oversee the evaluation and have primary responsibility for evaluation design, data collection involving stakeholders and administrative records, analysis, and reporting. Westat will be responsible for participant data collection. The Atkins Center for Weight and Health will provide nutritional expertise in design, instrumentation, and analysis. Imadgen will provide expertise in EBT systems implementation and analysis. Together, these firms bring decades of work on research studies related to SNAP and represent an exceptionally-well qualified team to successfully execute all aspects of the evaluation.

Evaluation Design and Implementation Activities

The legislation authorizing HIP provides for an evaluation and requires that “the independent evaluation...use rigorous methodologies, particularly random assignment...” To that end, the evaluation team will use an experimental research design to assess the impact of HIP in Hampden County, Massachusetts over the course of 12 months. Participants in the pilot will be randomly assigned to receive or not to receive the financial incentive. HIP will use the existing SNAP EBT infrastructure to deliver the incentive, crediting the incentive to household EBT accounts with each target food purchase. Comparisons between these two groups—one which receives the incentive and the other which receives usual SNAP benefits—will form the basis for

determining HIP impacts. This research design provides the rigor necessary to attribute any differences in fruit and vegetable consumption to the financial incentive.

Of the approximately 50,000 SNAP households in Hamden County, 7,500 SNAP households will be randomly selected to receive the incentive. In order to evaluate the impact of HIP, a random sample of approximately 2,500 HIP participants (aged 16 and older) will be selected to participate in the evaluation. An equal number of households not receiving HIP will be selected randomly to serve as the control group.

Three rounds of data will be collected from study participants: the first at baseline, prior to the implementation of HIP; and two follow-up rounds, approximately 3 and 11 months after implementation. Impacts will be measured using 24-hour dietary recalls. Surveys will include questions on attitudes, knowledge, and behaviors related to fruit and vegetable consumption.

Data also will be collected from other stakeholders, including State and local SNAP agency staff, participating and non-participating retailers, EBT processor staff, and community groups involved in the pilot. EBT transaction data will be used to describe take-up of the HIP incentive and to compare shopping patterns of all households participating in HIP with those of other SNAP households.

Major activities during 2010 include forming a Technical Work Group (TWG), working with Massachusetts on evaluation reporting requirements, and developing data collection instruments for the evaluation.

As part of the evaluation contract, FNS specified that a five-member TWG be established to provide an objective critique at key points in the evaluation. Abt recruited members for the TWG that includes experts in experimental research design, qualitative methods, food demand analysis, and experience with incentives to promote healthful food choices. The first meeting of the TWG was convened October 5, 2010 to review the initial design, analysis plans, and provide guidance on survey instrumentation. The day-long meeting was held at Abt's office in Bethesda, Maryland. TWG members provided extensive comments at the meeting as well as written comments after the meeting. Feedback from the TWG meeting will be used, within the scope of the contract, to improve data collection, and analysis for the evaluation.

The Abt team began work with DTA to establish evaluation reporting requirements. An initial meeting was held November 2, 2010 at FNS headquarters in Alexandria, Virginia with FNS, Abt, DTA and ACS. The purpose of the meeting was to discuss in detail the activities involved in implementing the evaluation, data collection activities, and the ongoing technical support that Abt will provide DTA for evaluation-related responsibilities. Key issues included: process and data required for implementation of random assignment; timeline for completion of implementation tasks; and availability of various types of data needed for the analysis, including

EBT transaction data, retailer data, benefit issuance data, and cost data. A second meeting between members of the Abt team and DTA is planned for early 2011 to follow-up on any outstanding issues identified at the November meeting.

The evaluation involves an extensive data collection effort that requires the development of a substantial number of survey instruments. The Abt team prepared draft participant survey instruments, focus group guides, retailer survey instruments, and interview guides for other stakeholders, such as State and local SNAP agency staff, EBT vendors and third party processors, and community groups involved in HIP.

2011 Planning

Major Highlights of State's Activities for 2011

DTA will continue planning for HIP. This will include planning, developing, and testing of required EBT system changes. They will also assist integrated retailers with their system changes, monitor progress, and test results. Changes will be implemented with a live test in the summer of 2011. Retailer recruitment will continue with increased engagement by key stakeholders, including retailer networks, community leaders, and other State agencies. Retailers who agree to participate in HIP will sign a Memorandum of Understanding (MOU) with DTA and ACS that will outline all parties' roles and responsibilities. DTA will train its staff, retailers, and community partners on the HIP intervention. Once households have been randomly sampled to participate in HIP, DTA will provide households with written and in-person information about the pilot and train them on how to use the incentive benefits. The pilot is scheduled to begin at the end of 2011.

FNS will continue to receive monthly status reports and participate in monthly status conference calls with the State and its partners. In the coming year FNS will review and approve Massachusetts' management, budget and training plans, EBT contractor's design, implementation and operation plans, and retailer accountability. In addition, they will conduct thorough testing of contractor and retailer system changes prior to implementation. FNS also plans to conduct at least two site visits, one early in the year and one over the summer, to meet dedicated project staff, observe the pilot site retailer environment, training, testing, and other pilot activities.

Major Highlights of Evaluation Activities for 2011

Evaluation activities in 2011 will include implementing the evaluation design, preparing for data collection, and conducting baseline data collection activities. Implementing the evaluation design involves the development, testing, and implementation of random assignment procedures to select 7,500 households to participate in the HIP and to assign samples of HIP households and non-HIP households to participate in the evaluation.

In preparation for data collection activities, Abt will complete development and testing of survey instruments. Pursuant to requirements of the Paperwork Reduction Act of 1995, Abt will prepare the 60-day Federal Register notice, the Supporting Statement, and the complete Office of Management and Budget clearance package.

Baseline data collection activities will be conducted in the fall of 2011. Households sampled for the evaluation, including both HIP and non-HIP households, will be interviewed by telephone or in-person to collect information on their status prior to the beginning of the pilot. Retailers participating in the pilot, as well as some retailers who chose not to participate, will complete mail surveys (with phone follow-up, as needed). Other stakeholders, including State and local SNAP staff, EBT vendor staff, third party processors, and community-based organizations partnering with DTA, will be interviewed in-person to understand the steps involved in implementing HIP.

In conclusion, we are pleased to report that we have made substantial progress this year in preparing for the implementation and evaluation of HIP. We look forward to launching pilot operations in the coming year.

If you have any questions or would like additional information about our progress to date or other issues related to the pilot, please feel free to contact Scott A. Carter, Director, Office of Governmental Affairs, FNS, at (703) 305-2313.

Sincerely,

A handwritten signature in black ink that reads "Kevin W. Concannon". The signature is written in a cursive, slightly slanted style.

Kevin W. Concannon
Under Secretary
Food, Nutrition, and Consumer Services

Similar letter sent to the following:

The Honorable Saxby Chambliss
Ranking Member
Committee on Agriculture, Nutrition, and
Forestry
United States Senate
328-A Russell Senate Office Building
Washington, D.C. 20510-6000

The Honorable Sherrod Brown
Chairman
Subcommittee on Hunger, Nutrition, and
Family Farms
Committee on Agriculture, Nutrition, and
Forestry
United States Senate
328-A Russell Senate Office Building
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The Honorable Richard Lugar
Ranking Member
Subcommittee on Hunger, Nutrition, and
Family Farms
Committee on Agriculture, Nutrition, and
Forestry
United States Senate
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The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
United States Senate
S-128 Capitol Building
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The Honorable Thad Cochran
Ranking Member
Committee on Appropriations
United States Senate
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The Honorable Herb Kohl
Chairman
Subcommittee on Agriculture, Rural
Development, Food and Drug
Administration, and Related Agencies
Committee on Appropriations
United States Senate
122 Dirksen Senate Office Building
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The Honorable Sam Brownback
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Development, Food and Drug
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The Honorable Collin C. Peterson
Chairman
Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, D.C. 20515-6001

The Honorable Blanche L. Lincoln
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The Honorable Frank Lucas
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Committee on Agriculture
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The Honorable Joe Baca
Chairman
Subcommittee on Department Operations,
Oversight, Nutrition and Forestry
Committee on Agriculture
U.S. House of Representatives
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The Honorable Jeff Fortenberry
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Oversight, Nutrition and Forestry
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The Honorable David Obey
Chairman
Committee on Appropriations
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H-218 Capitol Building
Washington, D.C. 20515-6015

cc: OES
OGA
CGA

The Honorable Jerry Lewis
Ranking Member
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1016 Longworth House Office Building
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The Honorable Rosa L. DeLauro
Chairwoman
Subcommittee on Agriculture, Rural
Development, Food and Drug
Administration, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
2362-A Rayburn House Office Building
Washington, D.C. 20515-6016

The Honorable Jack Kingston
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