



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

DEC 19 2011

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition, and Forestry
United States Senate
328-A Russell Senate Office Building
Washington, D.C. 20510-6000

Dear Madam Chair:

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 third 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 provides 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 (WIC) fruit and vegetable vouchers. These include most fruits and vegetables available as fresh, frozen, canned or dried. Among the products which do not earn an incentive are vegetables or fruits with added sugar, salt, fat, or oil (with some exceptions).

Incentives are 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 are subject to a monthly cap of \$60 per household to discourage misuse.

HIP participants began earning the incentive on November 1, 2011. The Massachusetts Department of Transitional Assistance (DTA) will operate the pilot for 14 months, through December 2012. The Food and Nutrition Service (FNS) monitors and supports the pilot via a cooperative agreement with DTA.

A rigorous evaluation is being conducted by FNS' contractor, Abt Associates, 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 overall energy intake;
- 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;
- HIP effects on retailer operations, including 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
- challenges encountered and lessons for future implementation.

In summary, we made substantial progress this year preparing for and launching the implementation and evaluation of HIP. Prior to the November 1st HIP launch, the Food and Nutrition Service (FNS) and DTA:

- made and tested changes to the EBT system;
- participated in tests of system changes made by retailers;
- developed training materials for HIP participants, HIP retailers, DTA staff, and community partners;
- continued recruiting retailers to participate in HIP;

- selected the sample of households to participate in HIP;
- trained DTA staff, retailers, and participants in all aspects of HIP; and
- conducted pre-HIP data collection activities to obtain baseline data.

2011 Achievements

Pilot Implementation

Working with Community Stakeholders

DTA formed a Steering Committee of community partners that includes representatives from over a dozen local organizations, representing groups such as food banks, community development, health care, homelessness assistance, farmers' markets and WIC. The role of the community partners in HIP is to serve as an informational resource to HIP participants, to encourage clients to participate, to support HIP by providing space for trainings and focus groups, encouraging retailers to enroll and identifying and helping to resolve challenges or barriers.

EBT System Changes Development, Testing and Implementation

DTA worked closely with their State Electronic Benefit Transfer (EBT) vendor, Affiliated Computer Systems, Inc. (ACS) to plan, implement, and test changes needed to administer HIP and to track its use. The system changes are complete and were tested in early August via "User Acceptance Testing" (UAT). Participants in the UAT included representatives from FNS, DTA, and Abt Associates, the evaluation contractor. A second type of system acceptance testing involves Third Party Processors (TPPs), often used by chain stores. ACS tested and certified the TPPs' systems for the five chains in Hampden County that are participating in HIP.

As part of the systems development, the design of the SNAP recipient store receipt was completed. The recipient receipt identifies the HIP incentive earned on the shopping trip and the total HIP incentive earned for the month to date. This receipt information helps to demonstrate the increased purchasing power HIP provides to SNAP participants. DTA designed a HIP logo for branding purposes that is being used in all recruitment, notification, and training materials.

Retailer Recruitment

Hampden County currently has 485 SNAP-authorized stores. SNAP-authorized stores are a mix of national and local supermarket chains, independent grocery stores, convenience stores, and farmers' markets.

Over 70 retailers began participation in HIP on November 1, 2011, with approximately another 30-40 scheduled to come on line February 1, 2012. The November 1 cohort includes 10 supermarkets, eight superstores, 24 grocery stores, and 34 convenience stores. DTA continues

recruitment for the February 1, 2012 cohort. The largest group expected to join then are 13 farmers markets who operate only in the spring and summer months; an additional five supermarkets/superstores and five grocery stores have also agreed to participate beginning in February. DTA feels that Hampden County is well-covered with currently committed stores, in spite of the fact that only about a quarter of HIP-eligible retailers have agreed to participate. All but one of the large supermarkets/superstores are participating in HIP. In addition, while supermarkets/superstores represent just 11 percent of all SNAP retailers in Hampden County, they represent 25 percent of the retailers participating in HIP. Nationally, the vast majority (about 80 percent) of SNAP benefits are redeemed in supermarkets/superstores stores. Many of the smaller SNAP-authorized stores carry very few HIP-eligible products, as discovered during retailer recruitment activities. This is particularly true of convenience stores that represent about 60 percent of all SNAP-authorized retailers in Hampden County. A similar distribution of SNAP-authorized retailers by store type is found at the national level.

Selection of HIP Households

The HIP evaluation uses an experimental research design to assess the impact of HIP, where SNAP participants in Hampden County were randomly assigned to receive or not to receive the financial incentive. The sample was drawn from the 55,000 SNAP households eligible for HIP as of July 15, 2011; 7,500 SNAP households were randomly selected to receive the incentive. The sample was stratified by household size, gender of the head of household, and geography. Once the sample was drawn, characteristics such as demographics, amount of SNAP benefit, and type of housing of HIP and non-HIP households were compared to ensure that the two groups were similar. These 7,500 households were then divided into three waves of 2,500 households each – to be introduced into the pilot during the first three months of operation. The first and second waves began to receive the HIP incentive on November 1, 2011 and December 1, 2011, respectively. The third and final wave begins on January 1, 2012.

Development and Execution of Training

Implementation of HIP required training for many groups of people, including DTA staff, community partners, retailers, and HIP participants. DTA's HIP staff conducted trainings for other DTA staff in local offices and headquarters in Boston, as well as community partners in Hampden County. Retailer training was conducted by a DTA/ACS team. DTA hired two full-time trainers who are responsible for HIP participant training.

DTA staff and HIP retailers were trained in September and October. Participant training commenced in mid-October for the first wave of HIP households scheduled to receive benefits beginning November 1, 2011. This training is being delivered in English, Spanish, Russian, and Vietnamese. HIP participant training is offered each work day and some Saturdays through mid-January of 2012. Community partner training began in November and is ongoing based on community needs and the emergence of new partnerships.

Notification of Households

DTA sent several mailings to all households selected to receive HIP to introduce the pilot and explain how the incentive could be earned. An initial mailing, sent about 3 weeks before their HIP participation began, notified households that they were selected to receive the incentive and included a calendar of trainings they could attend to learn the details of pilot operations. This was followed by a second mailing several days later that included another notification or cover letter, a list of HIP target foods, a list of participating retailers, a brochure describing HIP, and Frequently Asked Questions. A third mailing included a HIP-EBT card sleeve containing a detailed list of eligible foods to serve as a resource while shopping, as well as a toll free number to call with questions. All HIP training materials were produced in English; DTA translated key training materials into Spanish, Russian, and Vietnamese.

Evaluation Implementation

Office of Management and Budget (OMB) Approval

The evaluation involves an extensive data collection effort that required the development of a substantial number of survey instruments. The Abt team tested and finalized participant survey instruments, focus group guides, retailer survey instruments, and interview guides for stakeholders, such as State and local SNAP agency staff, EBT vendor staff, integrated retailers, third party processors, and community partners involved in HIP. The Abt team also prepared the OMB Information Collection Package, which we submitted to OMB in early June and was approved on August 12, 2011.

Selection of Evaluation Sample

The evaluation uses an experimental research design to assess the impact of HIP in Hampden County, Massachusetts, over the course of the pilot. As noted above, 7,500 SNAP households were randomly selected to receive the incentive. Comparisons between two groups—one which earns the HIP incentive in addition to the usual monthly SNAP allotment and the other which receives only the usual monthly SNAP allotment—will form the basis for determining HIP impacts. The Abt team randomly sampled 2,538 HIP participants (aged 16 and older) to participate in the evaluation. They also randomly selected 2,538 SNAP participants (aged 16 and older) from Hampden County households not receiving HIP to serve as the control group.

Baseline Participant Data Collection

The Abt team collected baseline data—prior to HIP implementation—for sampled HIP participants and sampled non-HIP participants. The purpose of the baseline data is to provide information on SNAP households before they are exposed to HIP. Information collected at baseline included: household demographics, composition, employment status; frequency of fruit and vegetable consumption; food preferences and beliefs; barriers to consuming fruits and

vegetables; family food environment; participation in nutrition assistance programs; and general shopping patterns and food expenditures.

Data were collected through a telephone survey. Spanish-speaking interviewers were available to complete surveys with respondents whose primary language was Spanish; interpreters were used, as necessary, for other languages. When respondents could not be reached by phone, either because they had no phone or no published number, the Abt team sent field interviewers to respondents' homes. Once they located respondents and gained their cooperation for the interview, field interviewers provided a cell phone that respondents used to complete the interview. After allowing for attrition from SNAP and survey non-response, the targeted number of completed interviews was 2,828, equally divided between HIP and non-HIP respondents.

Retailer Survey and On-site Observations

Surveys and on-site observations of food retailers offer insight into the experiences and satisfaction of an important HIP stakeholder group and provide valuable information about the implementation process and costs of HIP. The Abt team surveyed two groups of retailers—those who agreed to participate in HIP when the pilot began on November 1, 2011, and those who declined to participate. As described above, 70 retailers began participating in HIP on November 1, 2011. The Abt team randomly drew a sample of retailers of different types—superstores, supermarkets, other grocery stores, and convenience stores—to survey. Using a similar methodology, the team drew a small random sample of retailers from among retailers who declined to participate.

Retailers participating in HIP completed a baseline survey prior to HIP implementation that focused on start-up activities. Topics included: recruitment to HIP; implementation of HIP (training, check-out procedures); fruit and vegetable inventory at baseline; and store characteristics. The focus of the non-participating retailer survey was to understand why retailers eligible for HIP decided not to participate in the pilot.

The retailer surveys were conducted by mail, with telephone follow-up for those who did not initially return the questionnaire. Prior to sending the survey, the Abt team sent an advance letter to sampled retailers informing them about the study; a follow-up telephone call was made to solicit their cooperation, confirm contact information, and identify retailers requiring the Spanish version of the survey. Telephone follow-up to encourage retailers to complete the survey did not begin until the pilot began operations. We anticipate obtaining completed surveys from approximately 40 participating retailers and 15 non-participating retailers.

The Abt team conducted in-person, on-site baseline observations in a purposively selected sample of 10 participating stores that were also selected for the survey. The observations included recording information about the store environment and an inventory of selected fruits and vegetables.

Stakeholder Interviews

Interviews conducted with stakeholders provide detailed information on the implementation and operation of HIP which contribute to analyses of pilot implementation, the costs of the pilot, and the feasibility of nationwide expansion. Key stakeholders include: Massachusetts DTA State and local agency staff; ACS, the Massachusetts SNAP EBT vendor; integrated retailers/third-party processors involved in processing SNAP EBT transactions; and local community partners.

The Abt team conducted 30 in-person interviews with individuals or groups of individuals who played key roles in the development and initial implementation of HIP. Topics included: HIP implementation, including development of the operational design; management, and coordination; HIP system design and technical support; retailer recruitment, participation, and support; staff training; participant notification and training; involvement of community partner organizations; and issues encountered/lessons learned.

2012 Planning

Major Highlights of State's Activities for 2012

January Wave Implementation

The third and final wave of HIP households will begin earning the incentive on January 1, 2012.

Additional Mailings

DTA is planning three additional mailings to HIP households in 2012. The first will feature an additional list of new retailers participating as of February 1st. The second will highlight the farmers markets that will be participating beginning in the spring 2012. The third and final mailing will be a letter to inform HIP participants when the pilot is ending; this will be sent in three waves, approximately one month before each wave's end date. The final wave ends December 31, 2012.

Retailer Training and Technical Assistance

Throughout the pilot, DTA will visit retailers to assess their comfort with and accuracy in processing HIP transactions. During these visits, DTA will provide technical assistance and additional training as needed.

Operating and Monitoring the Pilot

DTA will be responsible for operating the pilot throughout 2012. FNS will continue oversight, receiving monthly status reports and participating in monthly status conference calls with DTA and its partners. Abt Associates will monitor the pilot to ensure compliance and provide ongoing technical support for evaluation-related responsibilities, as needed.

Major Highlights of Evaluation Activities for 2012

Evaluation activities in 2012 will include conducting two rounds of data collection—the first early in the HIP implementation period (3-5 months after implementation) and the second later in the implementation period (9-11 months after implementation).

The two rounds of participant surveys will provide information to answer the single most important question of the HIP evaluation—the impact of HIP on fruit and vegetable consumption. Impact on HIP participants' diets will be measured using 24-hour dietary recall interviews, which collect information on all foods and beverages consumed by respondents over the prior 24-hour period. The surveys will also collect information on household characteristics; food preferences and beliefs; barriers to consuming fruits and vegetables; family food environment; and general shopping patterns and food expenditures.

The Abt team will survey retailers later in the HIP implementation period, during fall 2012. The survey of retailers participating in HIP will focus on understanding how HIP affects store operation, including: difficulties encountered; amount of time required to process transactions; and perceptions of effects on sales and profits. The survey will also collect information on the types of fruits and vegetables available and their prices to determine whether any changes occurred during HIP operations.

Stakeholders will be interviewed twice during the year. Interviews during the early implementation phase will focus on early HIP operations. Interviews during the later implementation period will focus on mature operations and the feasibility of expanding HIP nationwide.

Evaluation Reports

There will be three major evaluation reports prepared as part of the evaluation contract. Work on the first two reports will take place during 2012.

Implementation Report

The Abt team will prepare the Implementation Report during spring 2012. This report, based on progress meetings, documents, and information collected in the first round of the retailer survey and stakeholder interviews, will answer one of the evaluation's five research objectives—describe the process involved in implementing and operating HIP. The report will examine the steps taken to implement HIP and describe problems encountered and lessons learned that would be valuable for future implementation in new sites. The report will also examine recruitment and retention of HIP participants and retailers, including issues that arose and how they were resolved. DTA staff will have a major role in HIP implementation, which will be discussed in the report. Finally, the role of community partners in implementing and operating HIP will be described.

Interim Report

The Interim Report, the second major evaluation report, will address the overall goal of the evaluation—estimating the impact of HIP on participant fruit and vegetable consumption and other key measures of dietary intake. Analyses will be based on data collected during the early HIP implementation phase, enabling estimation of the very short-term impacts of HIP. The report will examine how household characteristics, dietary knowledge, attitudes, and beliefs, as well as the household food environment and general shopping patterns impact fruit and vegetable consumption. The interim report will also assess stakeholder experiences and satisfaction, focusing on how HIP affected workload and operations in the local SNAP offices, retailers' business, and community partners.

As part of the report review process, Abt and FNS will convene a meeting with the five-member Technical Work Group (TWG) after the first draft of the report is prepared. TWG members will review the report, provide written comments, and participate in a discussion about ways to improve the report. Feedback from the TWG meeting will be used to revise the interim report. Work on the report will begin during the summer of 2012, with completion in early 2013.

Project Timeline Table

Major Project Activities	
2009	
	FNS convened stakeholders to discuss key pilot features
	FNS developed design for the Healthy Incentives Pilot (HIP)
	Announcement of competition for pilot cooperative agreement and evaluation contract released
2010	
	Massachusetts DTA selected as pilot site
	Abt Associates selected as independent evaluator
	Pilot implementation activities: <ul style="list-style-type: none"> • EBT systems work • Retailer recruitment
	Evaluation activities: <ul style="list-style-type: none"> • Technical Work Group formed • Work with DTA on evaluation reporting requirements • Develop data collection instruments
2011	
	Pilot implementation activities: <ul style="list-style-type: none"> • EBT computer systems changes • Retailer recruitment • Selection and notification of HIP households • Train DTA staff, retailers, HIP households

	Evaluation activities: <ul style="list-style-type: none"> • OMB clearance package prepared; approval received • Selection of evaluation sample • Baseline data collection—SNAP recipients, retailers, stakeholders
	HIP began operations
2012	
	HIP operates during the entire year
	Data collection during early and late implementation phases
	Prepare Implementation Report
	Work on Interim Evaluation Report
2013	
	Complete Interim Evaluation Report
	Prepare Final Evaluation Report

In conclusion, we are pleased to report that we have made substantial progress this year in preparing for and launching the implementation and evaluation of HIP. We look forward to successful 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. Similar letters are being sent to Senator Pat Roberts, Congressman Frank D. Lucas and Congressman Collin C. Peterson.

Sincerely,



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

Similar letter sent to the following:

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

The Honorable Frank Lucas
Chairman
Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, D.C. 20515-6001

The Honorable Collin C. Peterson
Ranking Member
Committee on Agriculture
U.S. House of Representatives
1305 Longworth House Office Building
Washington, D.C. 20515-6001

cc: OES
OGA
CGA

FINAL:FNS:ORA:KellyKinnison:ty:12/14/11:703-305-2124:FNS-1563
DRAFT:FNS:ORA:KellyKinnison:em:11/21/11:703-305-2124:FNS-1563