



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

FEB 21 2014

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

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 accompanies the fifth annual report to Congress on the Healthy Incentives Pilot (HIP)—our name for the FCEA-funded initiative.

In 2013, the Massachusetts Department of Transitional Assistance closed out HIP operations in Hampden County, Massachusetts. At its peak, 118 retailers (including 14 farmers markets and farm stands) participated in HIP, enabling HIP participants to earn the 30 percent incentive on targeted fruits and vegetables. The Implementation Report, released February 28, 2013, described the early implementation experiences of the pilot and provided a detailed account of retailer recruitment, technology systems changes, and participant communication.

The HIP evaluation employs a rigorous research design. Early results, provided in the July 2013 Interim Report, indicated that HIP participants consumed on the order of one-fifth cup (about an ounce) more fruits and vegetables per person per day than a control group that did not receive the incentive. The Final Report, expected Spring 2014, will provide the results from comprehensive analyses of all data collected for the HIP evaluation. This report will address the five research objectives: (1) assessing the impact of HIP on fruit and vegetable consumption; (2) identifying factors that influence how HIP impacts participants; (3) describing the processes involved in implementing and operating HIP; (4) assessing the impact on other HIP stakeholders; and (5) quantifying the costs of the pilot and estimated costs of nationwide implementation.

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If you have any questions about this report, your staff may contact Scott A. Carter, Chief of Governmental Affairs, at (703) 305-2313. A similar letter and report are being sent to Senator Thad Cochran, Congressman Frank Lucas, and Congressman Collin C. Peterson.

Sincerely,

A handwritten signature in blue ink that reads "Kevin W. Concannon". The signature is fluid and cursive, with the first name "Kevin" being the most prominent.

Kevin W. Concannon

Under Secretary

Food, Nutrition, and Consumer Services

Enclosure

Healthy Incentives Pilot (HIP) 2013 Summary Report

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. On the basis of this legislative authority, the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS) designed the Healthy Incentives Pilot (HIP).

Households participating in HIP earned an incentive of 30 cents for every SNAP dollar they spent on targeted fruits and vegetables. Incentives were credited to the household's SNAP Electronic Benefits Transfer (EBT) account with each targeted food purchase and could be used on any future SNAP purchases. The Massachusetts Department of Transitional Assistance (DTA) implemented HIP in Hampden County. HIP is being evaluated using a rigorous research design in which the 55,000 SNAP households in the county were randomly assigned to either the HIP group or the control group.

This report describes the major activities and accomplishments that took place in 2013 and briefly outlines plans for 2014. In summary, the HIP implementation phase ended on December 31, 2012 and operational activities necessary to close down HIP took place in 2013. Evaluation tasks were centered around data analysis and reporting. Specifically, during the year, we:

- closed out the pilot, disabling HIP features and returning to traditional SNAP operations;
- finalized and released the Early Implementation and Interim Reports;
- conducted briefings at FNS and in Hampden County;
- performed data analysis needed for the Final Report.

Overview of Healthy Incentives Pilot and Evaluation

The design of the pilot and evaluation was 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 provided participating households a financial incentive that equaled 30 percent of their SNAP spending on 'targeted' fruits and vegetables. Targeted fruits and vegetables were the same ones allowed by Federal regulations for purchase with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) fruit and vegetable vouchers. See <http://www.fns.usda.gov/snap/hip/>. These included most fruits and vegetables available as fresh, frozen, canned or dried. Among the products which did not earn an incentive were vegetables or fruits with added sugar, salt, fat, or oil (with some exceptions).

Incentives were credited immediately to the household's SNAP-EBT account with each targeted fruit and vegetable purchase at participating retailers and could be used on any future SNAP purchases. The total value of incentives that could be earned was subject to a monthly cap of \$60 per household. This household cap was based on calculations designed to remain within the \$2 million available for the incentive while minimizing the number of households expected to reach the cap. It also prevented possible misuse of the HIP incentive.

The Massachusetts DTA began operating HIP in Hampden County on November 1, 2011 and continued through December 31, 2012. Located in western Massachusetts, the county is a mix of urban, rural, and suburban areas. Of the approximately 55,000 SNAP households in Hampden County, 7,500 were randomly assigned to participate in HIP.

A rigorous evaluation is being 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 individuals' consumption of fruits and vegetables;
- the impact of the financial incentive on the consumption of 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 as well as costs if implemented on a national scale; and
- challenges encountered and lessons learned for future implementation.

2013 Achievements

Pilot Close-out

DTA Management of HIP Operations

During 2013, DTA performed activities necessary to close out pilot operations. DTA held a number of regularly scheduled meetings to discuss close-out topics to ensure that the close-out proceeded smoothly. For the first quarter, the DTA Director held regular monthly status calls involving DTA, FNS, Xerox, Novo Dia Group, and the external evaluators, Abt Associates and Maximus, to identify operational, technical, and evaluation-related close-out issues. In addition, DTA and FNS had weekly check-in meetings. Other meetings involving technical and evaluation staff were held on an as-needed basis.

Communication with Community Stakeholders

DTA involved over 75 community partners in various aspects of HIP. These community partners proved to be an integral factor in the successful implementation of HIP. They included local and regional non-profits, community based organizations (CBOs), State and city agencies, medical centers, libraries and higher education institutions. The community partners provided advice and support during the grant application process, reviewed training materials, hosted participant training sessions, conducted outreach to retailers and served as a resource to HIP participants. The locus of their involvement was the HIP Steering Committee (HSC), a subgroup of CBOs and representatives

of various State and city agencies, convened by DTA to provide input and foster opportunities for collaboration. The HSC continued to meet monthly through March 2013.

As part of the close-out of HIP operations, DTA and FNS sent a letter to all stakeholders thanking them for their support and commitment to HIP. The letter also included a tentative schedule for the release of HIP reports during 2013 and 2014.

EBT System Changes Development, Testing and Implementation

DTA worked closely with their State EBT vendor, Xerox, to plan, test, and implement changes needed to disable HIP features and return to traditional SNAP operations. Xerox continued to generate daily HIP EBT files for the first 3 months of 2013. Thus, the chain retailers maintained their lists of HIP-eligible items during this period. HIP features were then disabled. DTA conducted monthly conference calls with chain retailer corporate staff through March 2013. In addition, DTA continued to support the smaller retailers through January 2013 to assist them in closeout activities. They removed the HIP-programmed point of sale (POS) machines, reinstalled the original POS machines, and removed all HIP retailer signage.

Communication with HIP Households

From the participants' perspective, HIP began winding down on October 31, 2012, as the period for earning incentives for the Wave 1 households ended. Periods for earning incentives for Wave 2 and 3 participants ended on November 30 and December 31, 2012, respectively. About 1 month before their opportunity to earn incentives was scheduled to end, DTA sent reminder letters to all participants and encouraged them to maximize their opportunity to earn incentives in the final month. All letters were translated into Spanish, Russian, and Vietnamese. Note that while the ability to earn incentives ended, any incentives earned remained in participants' SNAP-EBT accounts and were available for use on future SNAP purchases.

Support for HIP participants included the HIP toll free call line, e-mail account, and website. Community partners were also available to answer questions and provide technical assistance. The HIP call line was by far the most heavily used resource. Between October 2012, when letters were sent to the Wave 1 participants and March 2013, after which time call line activity declined to zero, the toll free call line received approximately 30 calls from participants specifically asking why the incentive was ending. No e-mails were received from HIP participants, either with questions about why the pilot was ending or any other matters. DTA has limited information on the use of the website by HIP participants. While DTA recorded several hits on participant-related pages, it is impossible to know who accessed them or why.

DTA Briefing to FNS

DTA staff, including the Assistant Commissioner for Policy, Program and External Relations, the HIP Director and the HIP Retailer Liaison, conducted a briefing at FNS on June 20, 2013. The briefing was comprehensive, covering an overview of HIP, system and retailer upgrades, retailer recruitment and characteristics, participant communications, community partners and lessons learned.

Evaluation Activities

Release of the Implementation Report

FNS released the Early Implementation Report on February 28, 2013.¹ This report, prepared by the Abt Associates team, documents the experiences of the early implementation phase of the HIP project. It is descriptive in nature, detailing how the system was designed to work, the early implementation experiences, and the key successes, challenges and lessons learned. Specifically, it describes HIP development and project management, systems design and modifications, retailer recruitment and training, participant notification and training, and the role played by local DTA offices and community partners. The report covers activities from grant application development (beginning in December 2009) through March 2012. It is based on stakeholder interviews, the first year retailer survey, on-site observations, project documents and HIP team meetings.

Completion of the Data Collection Process

The Abt team completed Round 2 (early implementation) and Round 3 (late implementation) data collection for sampled HIP participants and sampled non-HIP participants in 2012. Among other items, the Round 2 and 3 telephone survey included a 24-hour dietary recall using USDA's Automated Multiple Pass Method (AMPM). AMPM is a research-based strategy to enhance the respondent's 24-hour dietary recall. In addition, a second 24-hour dietary recall was collected from a 10 percent subsample, to support the estimation of usual dietary intake.

Once collected, the participant data were cleaned and coded to create analysis files. This process was completed in 2013. Cleaning and coding of the AMPM dietary recall data involved two major steps. First, the USDA Post-Interview Processing System (PIPS, developed by USDA/Agricultural Research Service) was used to automatically apply food codes to about 60 percent of the foods. Second, dietary coders assigned codes to foods that were not automatically coded during the PIPS process.

In addition, Abt received daily EBT transaction data files, including both HIP and non-HIP households. These data cover the HIP implementation period, starting November 1, 2011, and continuing through a 3 month post-implementation period until March 31, 2013. The data are being used to analyze the take-up rate of the HIP incentive by HIP participants, differences in redemption patterns between HIP and non-HIP households, and the impact of HIP on retailers' SNAP redemptions.

Technical Working Group (TWG) Meeting

A day long Technical Working Group (TWG) meeting was held on March 13, 2013 at FNS. This five member group, made up of outside experts from academia, reviewed the second draft of the Interim Report, provided written comments and participated in a discussion with FNS and the Abt team about ways to improve the report. Their feedback was used to revise the report.

¹ Bartlett et al. *Healthy Incentives Pilot (HIP) Early Implementation Report*, Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis, 2013.

Interim Report

The Interim Report was released on July 24, 2013². It addresses the causal impact of HIP on fruit and vegetable consumption by SNAP participants and on other key measures of dietary intake and identifies factors that influence how HIP affects participants. The Interim Report was intended to provide an early picture of the impact of HIP; the full impact of HIP will only be understood in light of comprehensive analyses that will be carried out for the Final Report, expected in 2014. Key findings are summarized below.

Targeted Fruits and Vegetables. Interim results indicate that HIP participants (adults aged 16 and older) consumed one-fifth of a cup-equivalent more fruits and vegetables per day than did non-participants. This represents a difference of 25 percent in consumption over non-HIP participants. Approximately 60 percent of the observed difference was due to a difference in consumption of vegetables and 40 percent due to a difference in consumption of fruit. The positive HIP impacts were broadly consistent regardless of employment status, age, presence of children in the household, and amount of the household's SNAP benefit.

Expenditures on Fruits and Vegetables. In evaluating HIP, incentive take-up and HIP/ non-HIP differences in food expenditures are important intermediate variables. The overall effect of HIP is likely to be larger if participants responded to the incentive, by purchasing more targeted fruits and vegetables, and earning more incentives. During the first half of HIP operations, SNAP EBT transaction data records showed that participating households spent a small share of their SNAP benefits on targeted fruits and vegetables, at least in stores participating in HIP. Overall, two-thirds of HIP households (that received SNAP benefits in the month) earned some HIP incentive; the other one-third of households did not earn any incentives in a given month. On average, during March-July 2012, HIP households spent \$12.13 (representing 5.2 percent of their SNAP benefits) on targeted fruits and vegetables in participating stores and earned an average incentive of \$3.64 each month. Additional analysis of participants' HIP incentive take-up based on the full implementation period will be performed for the Final Report.

HIP survey respondents reported changes in fruit and vegetable purchasing, saying that they bought larger amounts and a greater variety of fruits and vegetables because of HIP. These households felt that fruits and vegetables had become more affordable due to HIP. Consistent with these responses, self-reported spending on fruits and vegetables was significantly higher for HIP households than non-HIP households.

Knowledge, Attitudes, and Barriers. Attitudes toward and preferences for fruits and vegetables may affect both the level of fruit and vegetable intake and how responsive participants are to the incentive. HIP households reported having fruits and vegetables available at home more often than did non-HIP households, according to the Round 2 survey. Respondents were also asked several other questions about their food preferences and perceived barriers to consuming fruits and vegetables. All survey respondents generally had quite positive attitudes toward fruits and vegetables and did not report overwhelming barriers to their consumption. Generally, HIP and non-HIP households had similar preferences and beliefs.

² Bartlett et al. *Healthy Incentives Pilot (HIP) Interim Report*, Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis, 2013.

In order for the HIP incentive to affect purchasing behavior, HIP participants needed to know about the program and understand how it worked. Findings from the participant survey suggest that a sizeable proportion of HIP participants did not fully understand the pilot program. Forty percent of HIP participants reported that they had not heard about HIP when asked in the Round 2 survey, which occurred 4-6 months after HIP implementation. Forty percent also reported that it was hard or somewhat hard (or they didn't know) to understand how HIP worked; a similar percentage said it was hard or somewhat hard (or they didn't know) to remember which fruits and vegetables qualified for the HIP incentive. Focus groups also described difficulties with understanding the pilot program.

These results were presented to FNS at a briefing in Alexandria, Virginia, on May 1, 2013 and to DTA and numerous HIP stakeholders at a briefing in Hampden County, Massachusetts, on September 27, 2013.

Analysis for the Final Report

In preparation for the Final Report, the Abt team conducted a comprehensive analysis of all data collected for the evaluation, including three rounds of participant survey data, two rounds of retailer surveys, stakeholder interviews, participant focus groups, EBT transaction data, and costs related to pilot implementation.

The analyses address the five research objectives of the evaluation: (1) assessing the impact of HIP on fruit and vegetable consumption by SNAP participants, and on other key measures of dietary intake; (2) identifying and assessing factors that influence how HIP impacts participants; (3) describing the processes involved in implementing and operating HIP; (4) assessing the impact on the HIP grantee (the State SNAP agency), the local SNAP agency, and their team of partners (including retailers, EBT processors, and community organizations); and (5) quantifying, to the extent possible, the Federal, State, and local administrative costs of the pilot and the estimated costs of nationwide implementation.

Spatial Analyses

The spatial analysis examines how households' physical access or proximity to retailers may have affected their SNAP spending on HIP-eligible purchases (and thus their ability to earn HIP incentives) and their consumption of fruits and vegetables. It address two major research questions: (1) How did relative physical access to stores participating in HIP affect household shopping patterns, HIP incentive earnings and targeted fruit and vegetable (TFV) consumption? (2) Are there "neighborhood effects" with respect to consumer responses to the incentive? That is, did HIP participants in close proximity to one another (and thereby with shared retail food environment characteristics) exhibit similarities in response to the pilot?

Development of the database and preliminary analyses took place in 2013. As described below, the analysis will be completed and the report will be released in 2014.

2014 Planning

State's Activities through February, 2014

Support for the Evaluation

DTA will continue to support the rigorous evaluation, responding to questions and providing information as needed until their grant ends on February 28, 2014.

Reporting

Two reports will be finalized and released in 2014. The first is a final project report detailing the planning, implementation, operation and close-out of HIP from the perspective of the State. It is intended to serve as a guide for other States and advocates. The second is a description of the implementation of HIP at farmers markets prepared by one of DTA's partners, Community Involved in Sustaining Agriculture (CISA). It discusses successes, challenges and lessons learned.

Evaluation Activities for 2014

Data Analysis

The spatial analysis will continue in 2014. Addressing the two major research questions identified above will entail: (1) performing descriptive analyses of the retailer food environment in Hampden County, the proximity of SNAP participants to nearby retailers, and proximity of SNAP participants to where they actually shop; (2) estimating the relationship between food access and TFV purchases; (3) determining if and how the retail food environment affected the impact of HIP; and (4) investigating the existence and magnitude of "neighborhood effects."

Public Use Files

Abt will construct public-use data files that contain all data collected during the HIP study. The files will exclude all direct personal identifiers such as respondent name, address, and date of birth and only include randomly assigned identifiers. Other potentially identifying variables will also be tagged and recoded as necessary to ensure that no individuals can be identified.

Evaluation Reports

Three evaluation reports will be released during 2014. Work on the first, the Final Report, began in 2013, and will be completed in early spring 2014. The second, the Summary Report, will be prepared and released in late spring 2014. The third report, the Spatial Analysis Report, will be prepared and released in summer 2014.

Final Report. The Final Report will build on the analyses performed for the Interim Report, and will incorporate Round 3 participant survey data and additional EBT transaction data, to estimate the longer term impact of HIP on participant fruit and vegetable consumption and other measures of dietary intake. Like the Interim Report, it will also 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, again updated to include Round 3 participant data as well as additional EBT transaction data. In addition, the Final Report will include a discussion of the process of implementation, based on the earlier Implementation Report, updated by Rounds 2 and 3 stakeholder interviews; the costs of implementing and operating HIP; and the feasibility of nationwide expansion.

Summary Report. After FNS acceptance of the Final Report, the Abt team will prepare a short (20 pages or fewer), free-standing Summary Report providing an overview of the study and the major evaluation findings, written in non-technical language.

Spatial Analysis Report. The Spatial Analysis Report will document the methodology and results of the Spatial Analysis described above.

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 ❖ Development and production of HIP stakeholder training materials
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

Major Project Activities
<ul style="list-style-type: none"> ❖ Provided support for participants and other HIP stakeholders ❖ Continued retailer recruitment ❖ Development and production of Farmers Market training materials ❖ Implementation of Farmers Market models
Data collection during early and late implementation phases
<ul style="list-style-type: none"> ❖ Participant surveys ❖ Retailer surveys and observations ❖ Stakeholder interviews ❖ EBT transaction data collection
Prepare Implementation Report
Prepare Interim Evaluation Report
2013
Complete Implementation Report
Complete Interim Evaluation Report
Prepare Final Evaluation Report
Prepare Final Grantee HIP Project Report
Prepare Farmers Market Report
2014
Complete Final Evaluation Report
Prepare and Complete Summary Evaluation Report
Prepare and Complete Spatial Analysis Report
Complete Grantee HIP Project Report
Complete Farmers Market Report

Summary and Conclusions

In conclusion, we made substantial progress last year in the operation and evaluation of the HIP pilot. We successfully closed out HIP, implementing changes needed to disable HIP features and allow retailers to return to traditional SNAP operations. We also focused on reporting, completing the Interim Evaluation Report, and making substantial progress on preparation of the Final Evaluation, Grantee HIP Project and Farmers Market Reports.