

**Background**

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides food, nutrition education, breastfeeding support, and referrals to health care and social services to nutritionally at-risk low-income pregnant women, new mothers, infants, and children through age 4.

Periodically, the USDA Food and Nutrition Service (FNS) performs a nationally representative study to examine the extent of error and program violations among food vendors authorized to accept WIC food instruments. The 2005 WIC Vendor Management Study found that overcharges amounted to \$6.1 million, while undercharges amounted to \$15.4 million. In terms of the \$3.32 billion paid by WIC for food in that year, overcharges amounted to 0.18 percent, and undercharges amounted to 0.46 percent.

This report provides improper payment estimates for fiscal year (FY) 2011 using a methodology for “aging” the 2005 bookend study.<sup>1</sup> The methodology yields nationally representative estimates of the number of vendors that over- and undercharged and the amount of over- and undercharges across all WIC vendors.<sup>2</sup>

**Results**

Improper WIC vendor payments for FY 2011 amounted to \$52.5 million, constituting about 1.1 percent of the \$4.6 billion in WIC food outlays. This is more than the FY 2010 figure of \$44.0 million, which also constituted about

1.1 percent of total WIC food outlays<sup>3</sup> (see Figure 1). While the improper payment rate remained approximately unchanged from FY 2010 to FY 2011, increased food outlays increased the estimated dollar amount of improper payments. In FY 2011, overcharges were estimated at just under \$37.0 million (0.8 percent), undercharges at \$15.6 million (0.3 percent), and net improper payments at \$21.4 million.

**Figure 1: WIC Improper Payments, FY 2011 Update**

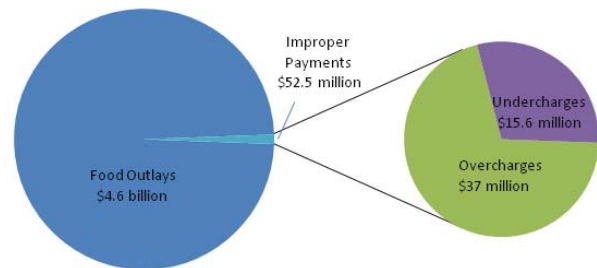


Figure 2 displays overcharges and undercharges as a percent of WIC food outlays for FY 2005-2011. Confidence intervals were estimated for each of the annual rates to provide a measure of precision. FY 2011’s overcharge rate of 0.81 percent lies in a 90-percent confidence interval of 0.59 to 1.04 percent. Although the samples used to establish annual confidence intervals were not designed to test for differences across years, they can be useful in determining whether the annual rates are similar. The previous year’s point estimate of 0.74 and the point estimates back to 2007 are contained in the confidence interval around the

<sup>1</sup> The term “bookend” derives from the fact that these studies occur about every 7 years and, as such, frame a period of time during which no observations were made. The 2005 bookend study represents data collected between October 2004 and March 2005. These updates provide estimates for the years between the bookends. The next bookend study is currently being fielded, with results expected in 2013.

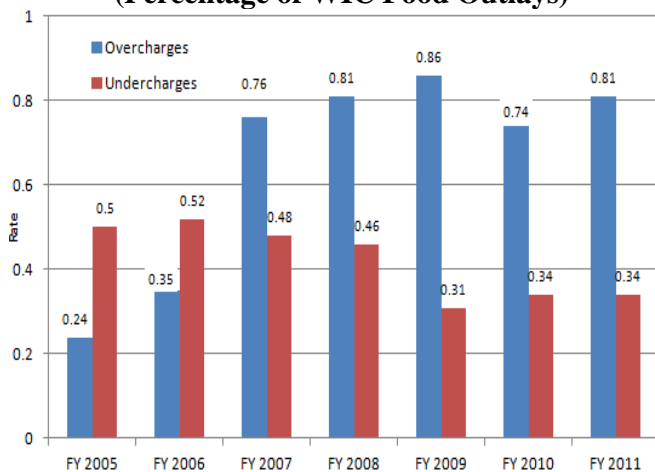
<sup>2</sup> It is important to note that the term “overcharge” refers to a vendor charging the WIC customer more than a non-WIC customer (rather than charging higher prices than other vendors), and the term “undercharge” refers to a vendor charging the WIC customer less than a non-WIC customer.

<sup>3</sup> The \$4.6 billion represents post-rebate food outlays within 45 States and the District of Columbia. Five States (Alaska, Hawaii, Mississippi, North Dakota, and Vermont) were excluded from the estimate, as were the value of foods delivered by direct distribution in other States, and transactions in pharmacies and commissaries, to maintain consistency with the estimates generated for the 2005 bookend study. The improper payment estimate reported in USDA’s *Performance and Accountability Report* applies the same improper payment rate to all post-rebate food outlays to yield a national estimate.

2011 estimate. Therefore, the changes in the point estimates from FY 2007 to FY 2011 probably should not be interpreted as demonstrating real changes in overcharge rates.

For undercharge rates as a percent of food outlays, the FY 2011 estimate of 0.34 percent falls in a narrow range of 0.33 to 0.35 percent. The FY 2011 estimate is identical to the FY 2010 estimate. The FY 2009 estimate of 0.31 percent falls outside this range and therefore could be considered different. Whether or not this suggests a small increase in the undercharge rate from FY 2009 to FY 2010/2011, it should be noted that the FY 2009 through FY 2011 rates are lower than the rates for previous years.

**Figure 2: Comparison of Overcharge and Undercharge Rates by Fiscal Year (FY 2005<sup>4</sup>–FY 2011) (Percentage of WIC Food Outlays)**

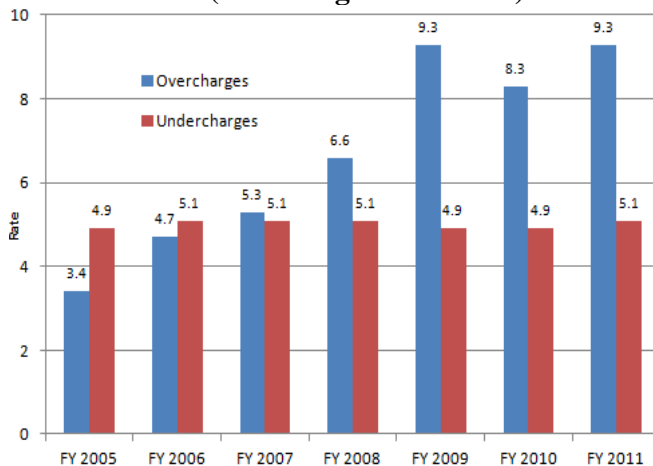


<sup>4</sup> The FY 2005 estimates in Figure 2 differ from the estimates in the 2005 bookend study cited above. The 2005 bookend estimates are based on data collected specifically for that study through compliance buys conducted in the first half of calendar year 2005. The 2005 estimates in Figure 2 are based on the raking methodology developed for the annual updates to the bookend estimates. The annual updates rely on administrative investigations data contained in The Integrity Profile (TIP) data system for all of FY 2005.

The 9.3-percent vendor-based overcharge rate for FY 2011 (i.e., the proportion of vendors overcharging; see Figure 3) is greater than the FY 2010 rate (8.3 percent), but consistent with the FY 2009 rate (9.3 percent). The 5th and 95th percentiles for FY 2011 are 8.01 and 10.65 percent—which indicates that all three values cannot be said to be different. The same cannot be said for the differences between overcharge rates in earlier years, particularly those from FY 2005 to FY 2007.

No real change is observed in the vendor-based undercharge rates from FY 2005 to FY 2011.

**Figure 3: Comparison of Overcharge and Undercharge Rates by Fiscal Year (FY 2005–FY 2011) (Percentage of Vendors)**



Suggested Citation:

U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis. *Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Erroneous Payments to Vendors: Annual Estimates for Fiscal Year 2011*, by Richard Mantovani. Project Officer: Grant Lovellette. Alexandria, VA: December 2012.

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