

## Background

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) serves low-income pregnant, breastfeeding, or postpartum women, and infants and children up to age 5 who are at nutritional risk. In almost all States, the Program provides eligible recipients with vouchers that can be used at authorized stores—referred to as vendors. The 46,000 authorized vendors are mostly grocery stores and pharmacies which have signed agreements to follow program rules.

In 1991 and 1998, FNS conducted national studies of WIC vendors to determine the extent of vendor violation of program rules.<sup>1</sup> After the 1998 study, FNS issued regulations to correct vendor practices.<sup>2</sup> The 2005 study replicates the 1998 study to determine whether the regulations were effective, and to measure the frequency of vendor violations and the degree to which vendors charge accurate prices for WIC transactions. It also provides data on payment error as required by the Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300).

## Method

A nationally representative sample of 1,600 WIC vendors was identified. Undercover shoppers who fit the profile of WIC recipients conducted 4,800 compliance WIC buys at these vendors. From the buys, the rates and amounts of overcharge, undercharge, and total improper payment were calculated.

## Findings

### Overcharge and Undercharge

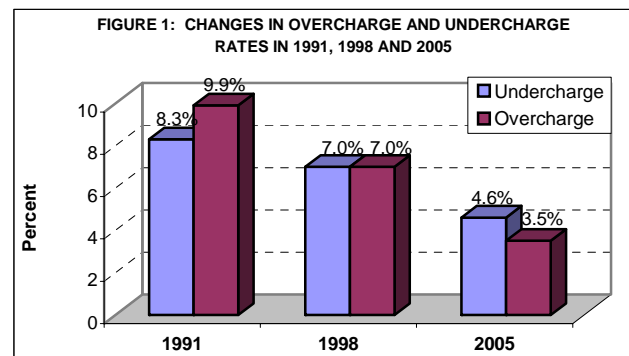
*The frequency and dollar impact of overcharging and undercharging reached historically low rates in 2005.*

<sup>1</sup> USDA, Food and Nutrition Service, OANE, WIC Vendor Management Study, 1998 Final Report, by Loren Bell et al. Project Officers: P. McKinney, B. Kowal. Alexandria, VA: 2001.

USDA, Food and Nutrition Service, OANE, WIC Vendor Issues Study, 1991, Final Report, by Lilly B. Gardner et al. Project Officers: J. Hirschman, K. Offerman. Alexandria, VA: 2001.

<sup>2</sup> USDA, Food and Nutrition Service, Supplemental Food Programs Division, "Regulatory Changes that Impacted WIC Between 1998 and 2004." Alexandria, VA: 2002.

An overcharge (or undercharge) occurs when a vendor charges a WIC consumer a different price than a non-WIC consumer would pay. Overcharge and undercharge frequency rates for safe buys have dropped progressively since 1991 (Figure 1).



Source: 2005 WIC Vendor Management Study

*Of the \$3.56 billion spent by WIC on food benefits in 2005, overcharge accounted for \$6.1 million and undercharge for \$15.4 million—the first time undercharge exceeded overcharge.*

When they occur, overcharges are not evenly distributed:

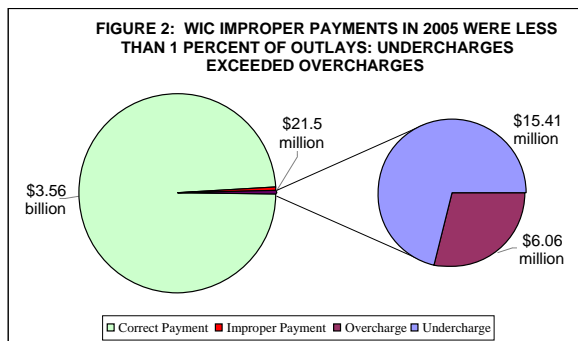
- Small vendors are 8 times more likely to overcharge than large vendors.
- Vendors that do not provide a required receipt are 11 times more likely to overcharge than vendors that provide one.

### Improper Payments

In accordance with the Improper Payments Information Act of 2002 (Public Law 107-300) and OMB guidelines of May 2003, improper payments were calculated as the absolute sum of overcharges<sup>3</sup> and undercharges.

*The IPIA erroneous payment estimate is \$21.5 million, or six-tenths of 1 percent of the 2005 food benefit portion of the WIC Program (Figure 2).*

<sup>3</sup> Overcharges include credits.



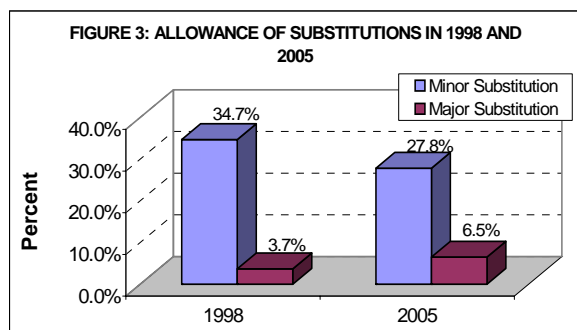
Source: 2005 WIC Vendor Management Study

### Administrative Violations

Administrative violations occur when vendors fail to follow proper procedures when conducting a WIC transaction. Since 1998, failure to provide a receipt increased slightly (to 61% of the time) and improper counter-signature fell slightly (to 59%). These were the only two pervasive violations.

### Participant-Initiated Substitutions

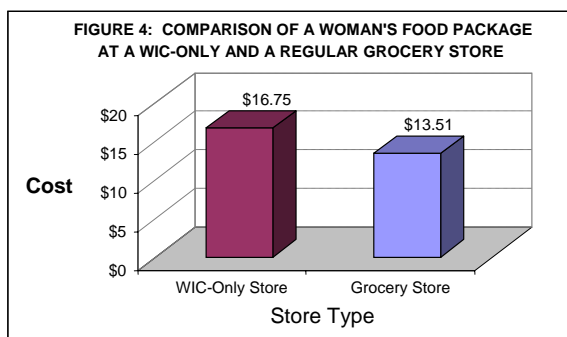
WIC foods are prescribed to ensure that participants receive appropriate, nutritious food types and quantities. Changing an approved food to an unapproved food can undermine the nutritional purpose of the WIC Program. The rate of allowance of minor substitution has dropped since 1998 (from 34.7% to 27.8%), while the rate of allowance of major substitutions has increased (from 3.7% to 6.5%) (Figure 3).



Source: 2005 WIC Vendor Management Study

### WIC-Only Stores

WIC-only stores stock only WIC foods and only accept WIC vouchers. In the three States with the most WIC-only stores (Texas, California and Florida), a food cost comparison showed that the costs of both woman and child food packages appear to be higher in WIC-only than in large grocery stores. For example, *the mean cost of a woman's food package at a WIC-only store (\$16.75) was 24% higher than at a grocery store (\$13.51—a difference of \$3.24 (Figure 4).* The difference was not statistically significant. However, the study did not investigate reasons for the difference.



Source: 2005 WIC Vendor Management Study.

### Conclusion

A comparison of WIC Vendor studies before (1998) and after (2005) major regulatory change, shows a considerable improvement in vendor overcharging and undercharging.

- The frequency and dollar impact of overcharging and undercharging reached historically low rates in 2005.
- The new, lower rates of vendor mischarging appear to reflect improvements in WIC management as a result of Federal WIC Regulations, some of which became effective in 1999, and the rest in 2002.

Download full report at: <http://www.fns.usda.gov/oane/>

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