



Special Formula Distribution Center

**A SOLUTION TO PROCUREMENT &
DISTRIBUTION PROBLEMS**



Objectives

1. Outline problems faced by WIC state and local agencies in the procurement of special infant formula.
2. Present a solution used successfully in the Mid-Atlantic Region since 1996.





Procurement Issues

Affordability

Ability to Acquire Exact
Quantities

Accessibility



Affordability

- Costs for many special formulas can be significantly inflated at the retail level
- Some small pharmacies have been known to mark up some very specialized formulas as much as 100%
- Lower formula costs = Ability to serve more participants



Quantities

Have you ever dealt with problems participants may have had getting a pharmacy to provide the exact quantity of a very specialized formula?

- WIC special formula prescription quantities often do not correspond with manufacturer case sizes
- Pharmacies are reluctant to break cases



Accessibility

- Limited retail demand for very specialized formulas
- Some specialized formulas may be difficult for participants to find in inner-city pharmacies
- May have to be special ordered causing participants a second trip to the pharmacy
- Participants confront transportation hardships if they must travel greater distances to purchase special formulas

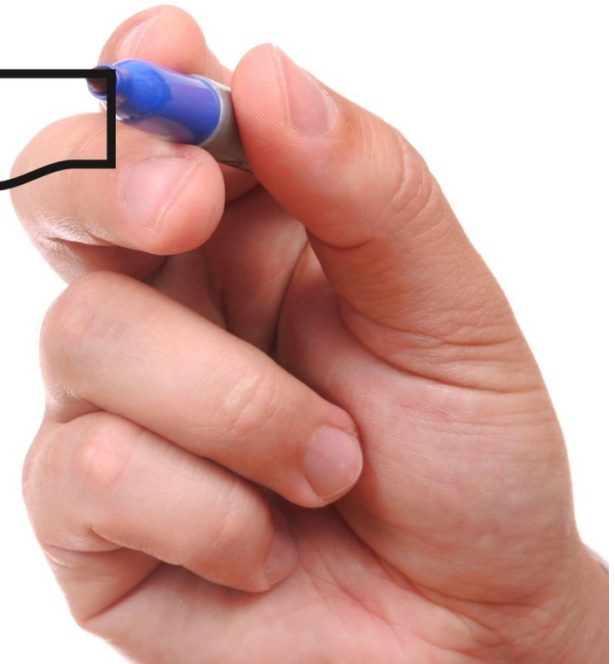
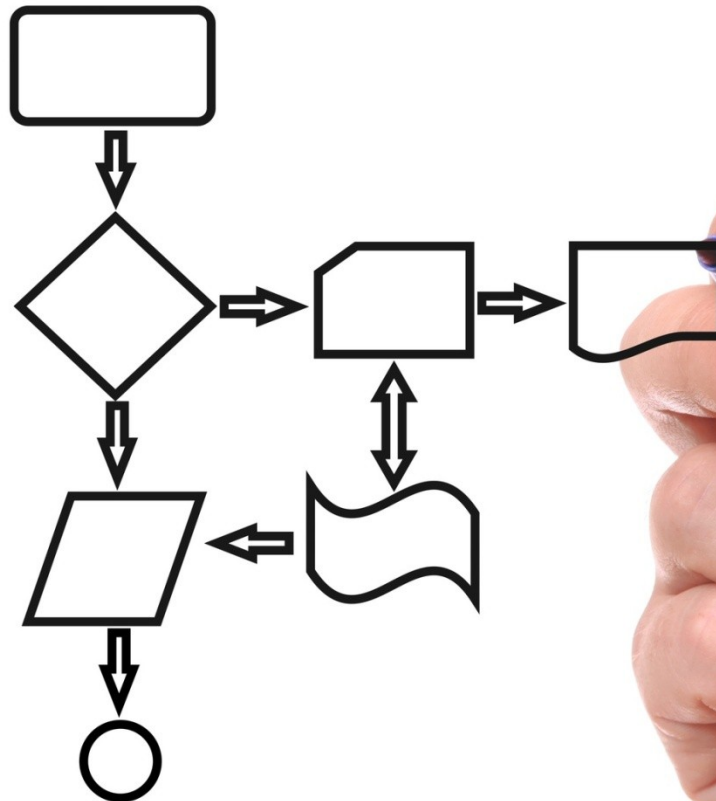


In 1996, Pennsylvania WIC acknowledged problems regarding the acquisition of special infant formulas that were detrimental to the WIC Program.



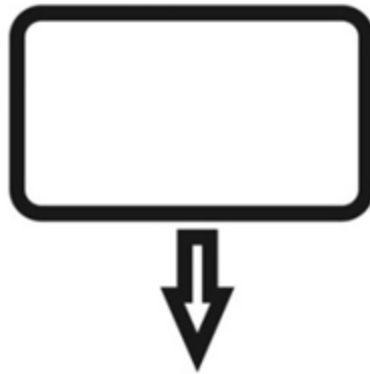


Evolution of the Special Formula Distribution Center



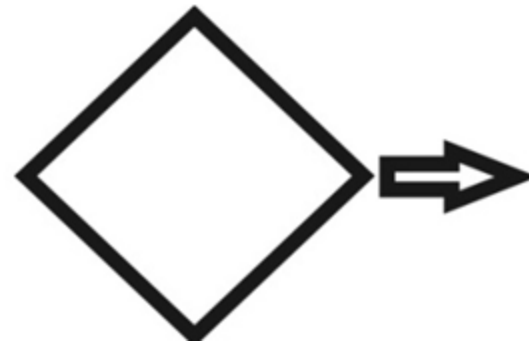


Could we purchase our special formula directly from the manufacturers?



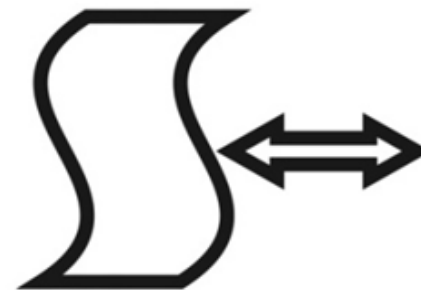


... and maybe we could store the formula in a warehouse somewhere?





... and maybe this warehouse could take orders for special formulas from our WIC clinics across the state?



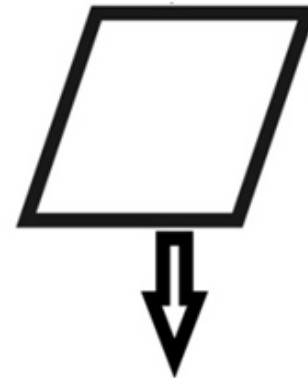


Gee... and then we could ship the formula directly to WIC participants or WIC clinics in the EXACT quantities needed!



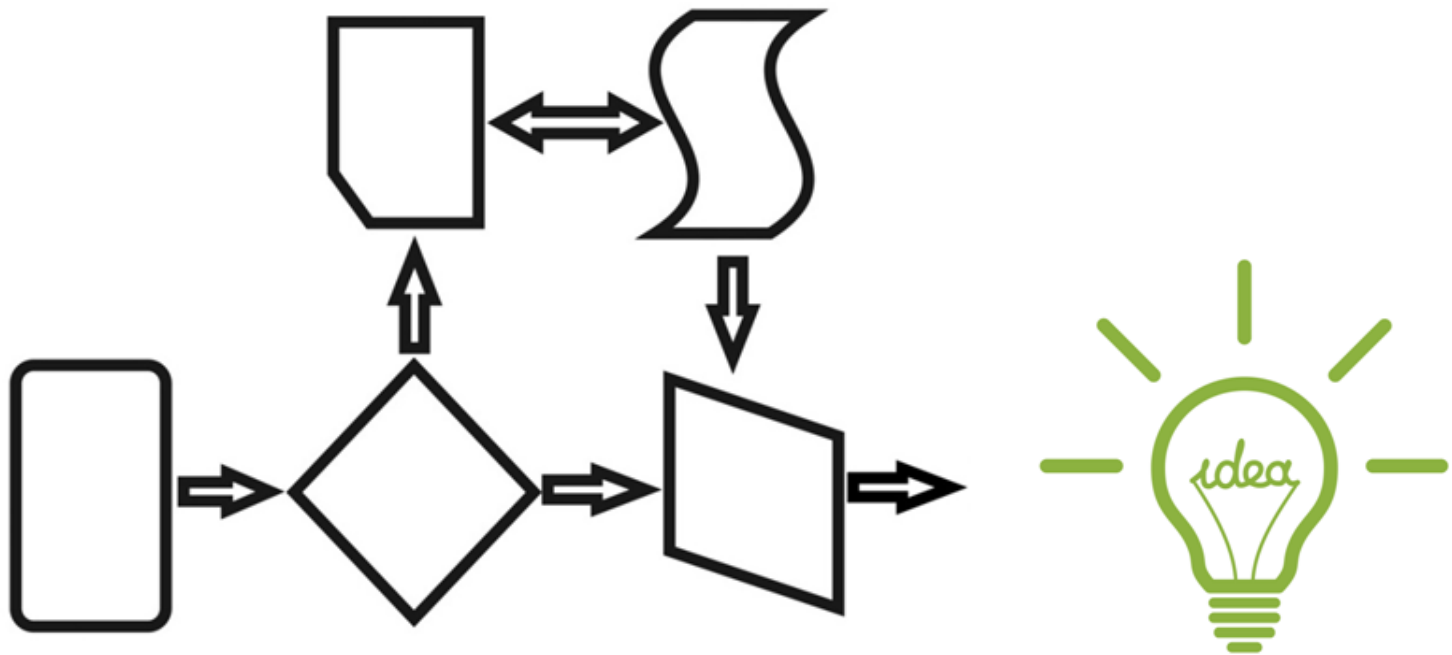


And we would only have to pay the wholesale cost of the formula, the cost of shipping and the cost to operate the warehouse!





What a great idea!





Yes, but we operate in a governmental bureaucracy! How could we ever get the approvals, let alone find someone willing to do it?



How about a public-private partnership?





The PA WIC Program solicited its local agencies to find a partner with the knowledge, space, ability and willingness to pull this off.



USDA + PA WIC + CAP of Lancaster County





PA WIC



Applied to USDA for start up funds to purchase equipment and initial inventory.





USDA

Invested \$201,000.





CAP of Lancaster County

Provided warehouse space.





CAP of Lancaster County

Purchased the necessary equipment.





CAP of Lancaster County

Hired the necessary personnel.





CAP of Lancaster County

- Obtained accounts with formula manufacturers to buy direct
- Contracted with shippers to deliver formula
- **AND THEN...**

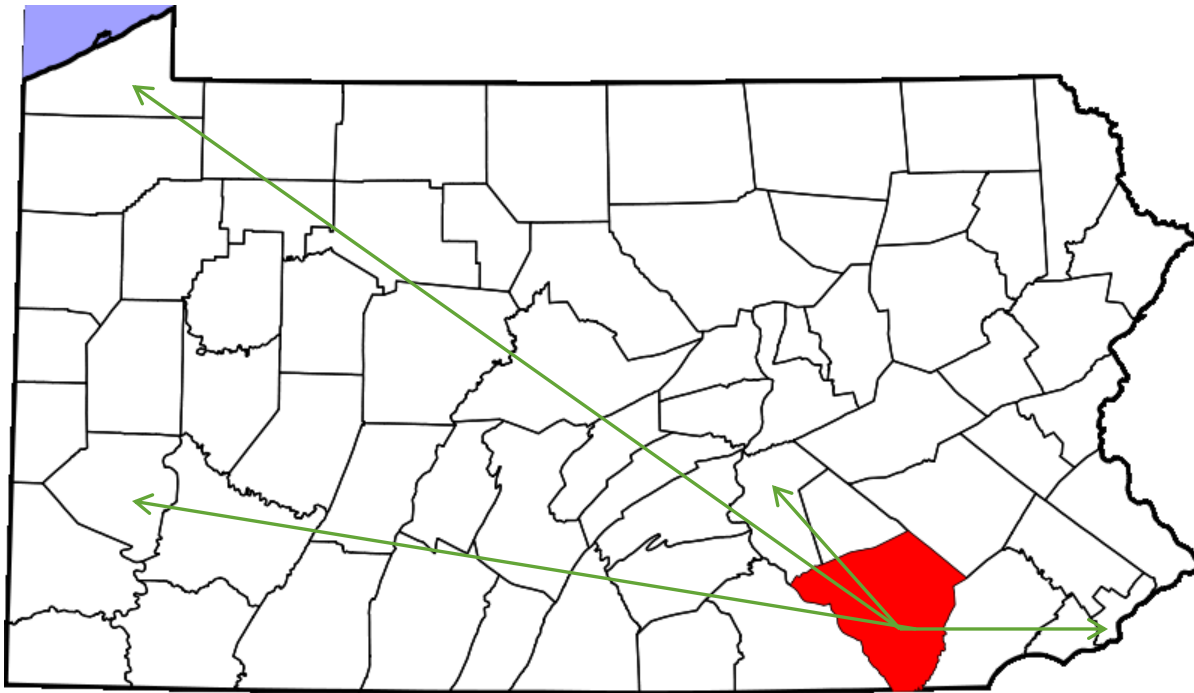




The Special Formula Distribution Center (SFDC) was born!



Getting Started





Expansion Requests





Participating States

- Expanded to serve 5 other states in the Mid-Atlantic Region between 2000-2003
- The SFDC Currently distributes over 200 different products to 6 states in the Mid-Atlantic Region:
 - Pennsylvania
 - Delaware
 - Maryland
 - New Jersey
 - Virginia
 - West Virginia



Business Relationships

- PA WIC Program is the Lead State Agency
- Each individual state orders directly from the SFDC
- Each individual state reimburses the SFDC directly for its orders
- Each individual state addresses administrative requirements directly with the SFDC



SFDC Performance

- Ships an average 5,200 orders per month
- Orders processed and shipped within 24-hours
- Orders arrive at WIC participants' homes within 1 to 4 days from time of order
- 90% of the orders arrive the very next day



Benefits: Savings

- Wholesale pricing
- Savings estimated **\$3 - \$4 million** per year





Benefits: Easier Access



- Direct delivery
- Exact quantities
- Eases transportation burden



Benefits: Reduced Administrative Costs

- All orders processed by the SFDC
- Eliminates cost of monitoring
- Reduces participant complaints



Benefits: Experience & Dedication

- 17+ years experience
- Non-profit status – focused on WIC’s mission; not profit
- CAP also serves as a local WIC agency
- Responsive



Benefits: Accuracy & Turnaround Time

- 99.8% on-time delivery
- 99.6% accuracy rate
- Efficient warehouse management system





A Successful Partnership

The partnership has grown over 17 years with well established systems existing between the SFDC and the six participating states.





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