



# WIC Vendor Management: Best Practices Survey

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# Objective and Methodology

## ▲ Objective

- To identify vendor management best practices pertaining to authorization, price monitoring, and vendor compliance

## ▲ Methodology

- Kickoff meeting to discuss project tasks and activities
- Calls with the seven Regional Offices to discuss State Agency vendor management practices and obtain recommendations of State Agencies to interview
- Calls with nine State Agencies to conduct interviews with vendor manager and others
- Compile information from interviews in a presentation and report

# State Agencies Selected

- ▲ Regional Offices recommended 13 State Agencies; Altarum added one to the list based on vendor management features of interest
- ▲ FNS selected the following State Agencies for the interview: AZ, CO, OK, MI, MA, CT, TN, VA



# Interview Highlights: Across States

- ▲ *While all State agencies believe that their vendor management practices either prevent fraud and abuse or maximize their ability to detect fraud and abuse, there is little documented evidence to tie specific practices to particular results.*
- ▲ *Even though there was no direct evidence tying a particular practice to results, some of the reported practices are likely to have a positive impact on prevention or detection of fraud and abuse.*

# Interview Highlights: Across States

- ▲ There is a dichotomy between State agency efforts to monitor and control prices at the product level vs. at the food instrument or package level.
- ▲ There was a mix of approaches used by State agencies to monitor and communicate with vendors, and all State agencies reported successful efforts to remove problem vendors from the program.
- ▲ Several State agencies reported issues with meeting regulations related to A-50 vendors.

# Headlines: Unique Features

- ▲ **Massachusetts:** Open authorization system works well when combined with strong monitoring.
- ▲ **Tennessee:** A network of regional vendor staff provide frequent monitoring and communication with vendors.
- ▲ **Michigan:** EBT has made vendor price monitoring more efficient and effective.
- ▲ **Virginia:** Use of technology, reducing the number of peer groups, and improved communications with vendors has strengthened vendor management.

# Headlines: Unique Features

- ▲ **Oklahoma:** Wholesale distribution price information is used to assess prices for independent and small vendors.
- ▲ **Colorado:** Policy limiting vendor authorizations to only “full service” stores has minimized “small vendor” problems.
- ▲ **Connecticut:** Change to open authorization and revision to peer group practices is achieving less burden and higher compliance.

# Vendor Peer Groups – Key Findings

- ▲ Some State Agencies have moved to a reduced number of peer groups and have found it is easier to manage fewer groups (numbers in peer groups a factor)
- ▲ Common peer grouping characteristics include store type, number of registers, sales (total or WIC), and location (urban/rural, population density)
- ▲ Two of the State Agencies have A-50 stores (CT and OK); others have pharmacies that fit A-50 definition
- ▲ Peer groups are used for both examination of individual product prices as well as setting maximum value or “not to exceed” limits for food instruments or food items (EBT)
- ▲ Placement of “Big Box” superstores



# Question 1: Vendor Peer Groups

State	Number of Vendors	Number of Peer Groups
AZ	652	9
CO	410	4
CT	459	12
MA	943	11
MI	2,025	19
OK	567	8
TN	1,000	7
VA	810	9

# Criteria for Authorization – Key Findings

- ▲ Open systems are reported to reduce workload and have not resulted in significant increases in the number vendors.
- ▲ Most States Agencies exclude A-50; many feel that the federal regulations requiring follow-up on potential A-50 are burdensome.
- ▲ Most State Agencies with limiting criteria have not felt pressure to open up authorization process, with one exception.

# Ratio of Authorized Vendors to Participants

State	Number of WIC Participants	Number of Authorized Vendors	Ratio of Authorized Vendors to WIC Participants
AZ	199,343	652	1 : 306
CO	104,131	410	1 : 254
CT	56,081	459	1 : 122
MA	119,099	943	1 : 126
MI	252,705	2,025	1 : 125
OK	126,944	567	1 : 224
TN	161,578	1,000	1 : 147
VA	156,085	810	1 : 193

## Question 2: Criteria for Authorization – State Agency Descriptions

Criteria in addition to federal minimum requirements:

- ▲ **Arizona:** Vendors must be SNAP-authorized; have minimum required WIC approved foods; do not allow A-50 stores
- ▲ **Colorado:** Vendors must be “full service” grocery stores selling foods in all categories; do not allow A-50 stores; there are ratios of vendors to participants for metro areas (1:200 or 5+ vendors per zip code) and non-metro areas (1:50 or 3+ vendors per zip code)
- ▲ **Connecticut :** Vendors must meet minimum inventory requirements; for reauthorization, amount of WIC redemptions and “good standing” with program are considered
- ▲ **Massachusetts:** Vendors must be SNAP-authorized and meet minimum stock requirements

## Competitive Prices for Authorization and Reimbursement – Key Findings

- ▲ Approaches to determining/updating maximum values vary across states.
- ▲ Some State Agencies collect individual product price information, while others focus on categories or a “market basket” of food.
- ▲ Periodicity of collection of price data is quarterly, semi-annual or three times a year.
- ▲ Some State Agencies require stores to provide notification of prices between periodic reports but compliance/enforcement questionable.
- ▲ No State Agency reports experience with a “peer group manipulation” of prices, but feels they could detect and respond quickly to such a condition if it occurs.
- ▲ Some State Agencies send “warning letters” to stores whose prices are not competitive, while others end the vendor authorization.

## Question 4: Vendor Monitoring – Key Findings

- ▲ Some State Agencies conduct routine vendor monitoring using local/regional staff while others use only state-level staff -- each has advantages.
- ▲ Stores identified as “high risk” are flagged for monitoring and compliance buys.
- ▲ Most State Agencies have a contractor that conducts compliance buys -- the cost varies between \$130 to \$195 per buy.
- ▲ Monitoring activities are tracked or managed at the state level.
- ▲ Efforts to work with the vendor community, including strong training programs, appear to prevent problems.
- ▲ Vendor inventory audits are used infrequently .

# Peer Group and Price Monitoring Systems – Key Findings

- ▲ Many State Agencies have two systems:
  - One that looks at product price
  - One that looks at total food package costs as they relate to peer groups and establishing maximum values.
- ▲ Much effort is made to collect prices, but there is little evidence that these efforts are effective management tools.
- ▲ Maximum allowable values and food package price monitoring seem to be the most effective management tool to protect against peer group price gouging.

# Vendor Sanctions and Appeals – Key Findings

- ▲ All State Agencies report strong sanction systems that work. Appeals are rarely won by vendors.
- ▲ State Agencies use both State Administrative Codes and WIC contract language to sanction vendors. They report they have had good backing from state officials when actions are taken.



## Question 6: Vendor Sanctions and Appeals – State Agency Descriptions

- ▲ **AZ:** Vendors have the right to appeal any denial of authorization, disqualification or determination of a peer group status or status as an A-50 vendor.
- ▲ **CO:** It uses a violation point system, where sanction points are assigned based on food instrument transactions, monitoring visits or compliance buys. CO reports that it fixes problems quickly by sending a notice and asking for a corrective action plan. Mandatory trainings are sometimes required if problem continues, followed by temporary or permanent disqualification.
- ▲ **CT:** The most common sanction is for overcharging. If stores appeal, generally the State Agency prevails.
- ▲ **MA:** It uses an administrative law appeal system with pre-hearing meetings and the appeals generally end with that meeting. The outcome of all appeals is posted online and vendors are advised to review those to see if their situation is similar, and what the outcome has been for others.

# Experience with Vendor Incentives: Key Findings

- ▲ Most State Agencies reported that they have not had any issues with incentives being provided to WIC participants that are not part of the normal store incentive program available to all customers.
- ▲ All State Agencies report that they have incorporated FNS incentive memorandum instructions into their contracts or vendor manuals.
- ▲ State Agencies report that they include information about incentives in vendor training.

## Question 7: Experience with Incentives: State Agency Descriptions

- ▲ One State found that in the past there were vendors offering a free sandwich with WIC check redemption or offering home delivery. It recently changed the agreement around incentives, so stores now receive either a warning or a \$125 fine the first time they are found offering incentives to WIC customers only.

# Experience with Incentives - State Agency Descriptions

- ▲ One State has seen some advertising, such as “buy \$100 worth of baby products and get a \$10 gift card” and one that advertises it will include a box that says “This includes WIC.” The rules regarding WIC incentives are clearly described in the contract, training, and newsletters; however it feels this is a problem that will never go away.
- ▲ One State has a list of unallowable incentives in its vendor handbook and it reminds vendors of this list in training. This State is now running into a reverse incentive problem, where stores are offering incentives but they don’t want to provide it to the WIC customers.

# Federal Regulations – Key Recommendations

- ▲ Reviewing the language and rules regarding above 50% WIC redemption– may be necessary in certain locations
  - State Agencies that allow A-50 stores say that these are not traditional WIC-only stores, and they are simply small stores with a large WIC population. They are usually close to 50% WIC, and State Agencies feel that they should be treated as small stores, not A-50.
  - State Agencies that don't allow A-50 stores spend significant time monitoring small stores that are “close” to 50% WIC, and say there is the potential that stores will turn away WIC participants if they think they are getting close to 50%.
  - Most State Agencies would like A-50 regulations changed to a much higher percentage of WIC sales to focus on the true problem stores, the WIC-only type stores.

## Regional Office Role in Vendor Management – State Agency Suggestions

- ▲ There was much support for FNS as a facilitator of information and as a resource for State Agencies to use in solving vendor problems.
- ▲ Some State Agencies welcomed the idea of a larger best practices study that conducts in-depth case studies of practices and their effectiveness.
- ▲ Virginia suggested that FNS talk to chain stores operating in multiple states to see how different state policies impact their operations and what they consider best practices.

# Suggestions for Communication

- ▲ State Agencies would like to see more national meetings that focus on vendor management.
- ▲ It would be helpful to having a vendor management blog or Facebook page where State Agencies can post questions and see how other states handle problems.
- ▲ State Agencies feel more communication is better, and continuing regional vendor management calls is a priority.
- ▲ It would be helpful to have conference calls among State Agencies of similar size.

# Vendor Management Staffing

- ▲ There is a wide range in number of vendor management staff in states interviewed.
- ▲ Use of local agency staff to do vendor monitoring or other roles cannot be easily quantified.
- ▲ Some State Agencies report that hiring freezes and other state hiring limitations have caused problems with having adequate vendor management staffing.
- ▲ Use of contractors for compliance activities is the norm in the states interviewed – price range from \$135 to \$180 per buy.