

Cost Implications of Participant Product Selection in USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Tina L. Saitone, Xuemei Li, Patrick W. McLaughlin, and Richard J. Sexton

What Is the Issue?

USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is the third-largest food and nutrition program in the United States, with total Federal program spending in fiscal year (FY) 2019 of \$5.3 billion. In addition to nutrition education, healthcare referrals, and breastfeeding support, WIC provides food packages targeted to the dietary needs of nutritionally at-risk and low-income pregnant, postpartum, and breastfeeding women, infants, and children. Regulations direct WIC State agencies to provide participants with a variety of foods to choose from, in prescribed food categories, to accommodate participant preferences.

WIC is a discretionary grant program, and thus cost-containment is an important priority for ensuring efficient use of Federal funds. Given that WIC participants receive WIC foods free of charge, they may lack an explicit economic incentive to minimize costs by shopping at low-cost WIC-authorized vendors or selecting less expensive products, brands, or packages at a given vendor. Thus, each WIC State agency faces the challenge of finding ways to control program costs while maintaining participant satisfaction and encouraging program participation.

One of the most common cost-containment strategies of WIC State agencies is to limit selection within a food category by requiring participants to purchase the least expensive brand (LEB) of a product. Although 19 States were using some type of LEB policy to contain costs as of 2015, the rest, including California, allow participants to choose among multiple options with potentially differing prices in a food category. No published studies have investigated cost savings from implementing LEB policies since the WIC food package was revised in 2009. Because LEB policies may also incur administrative costs and reduce choices for WIC participants, quantifying potential food-cost savings is necessary for weighing the net benefits of these policies. Although this study uses data from California, the results will be helpful for other WIC State agencies that are considering implementing LEB policies.



ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

What Did the Study Find?

The analysis focuses on the three most frequently redeemed WIC food instruments (FIs, or paper vouchers that each allow fixed quantities of a combination of WIC foods) in California. These FIs account for over 30 percent of total WIC food costs in the State and together cover combinations of many of the most common food items provided to participants nationally (specifically, low-fat milk, cheese, eggs, 100-percent fruit juice, ready-to-eat breakfast cereals, and whole grains). Results of the analysis showed that:

- Restricting participant product selection to the LEBs of low-fat milk, cheese, eggs, 100-percent fruit juice, and whole grains leads to food-cost savings for the three most frequently redeemed FIs ranging between 4.6 percent and 18.2 percent compared to a baseline of random shopping among eligible products and brands (with WIC customers having no preferences and viewing all brands as effectively identical);
- Estimated cost savings from LEB policy implementation are more substantial if the simulated baseline for comparison is of WIC participants selecting the most expensive WIC product in each food category. In this scenario, food-cost savings range from 9.3 to 31.6 percent, depending upon the FI being redeemed; and
- Estimated food-cost savings at large (seven or more cash registers) WIC-authorized food retailers in California ranged from \$16.1 million to \$30.5 million annually from implementing LEB requirements.

How Was the Study Conducted?

For the foods comprising the three most frequently redeemed food instruments in California, the costs of participants' WIC purchases were simulated under three scenarios of shopping behavior: (1) random shopping within a food category, (2) shopping for the most expensive brand(s) within a food category, and (3) shopping for the least expensive brand(s) in a food category. The simulated cost of the resulting bundles was compared to the actual costs of each FI by analyzing transactions from eight supermarkets with a relatively high volume of WIC sales, available from administrative data on WIC transactions in California. Prices for each WIC-authorized food item (i.e., milk, cheese, eggs, 100-percent fruit juice, ready-to-eat breakfast cereals, and whole grains) were obtained from Information Resources, Inc. (IRI) InfoScan store-level sales data for selected supermarket chains. To estimate potential savings from implementing LEB policies across a variety of WIC food categories, the authors compared simulated food costs from restricting choice to the LEB of selected product categories to actual food costs—in other words, to a participant selecting from among a wide variety of authorized brands and packages without WIC guidelines.