

Appendix E

State Cost-Containment Practices

State WIC agencies use several different approaches to control the costs of WIC food packages. These include:

- **Vendor selection practices**—Reducing prices of WIC foods obtained by participants by selecting lower priced stores for vendor authorization.
- **Item selection practices**—Reducing the unit price by restricting the brands, types, or package sizes allowed for purchase with WIC food instruments.
- **Manufacturer rebates**—Entering into agreements with specific manufacturers to negotiate a lower unit price for certain food items.

This appendix presents information on the general prevalence of cost-containment practices among all State WIC agencies.¹ The practices covered affect vendor selection, food-item selection, and manufacturer rebates for foods other than infant formula. The information provides a background to the indepth discussion of cost-containment practices in the six States selected for the study. The material in this appendix previously appeared in the evaluation’s interim report.² This information was used in selecting the six States to represent the variety of cost-containment practices.

The information in this appendix came primarily from documents collected in Fall 1999 from State WIC agencies (including State WIC-approved food lists and State vendor materials) and from discussions with national and regional WIC officials. Two national databases created and maintained by the USDA Food and Nutrition Service were used as well: the Store Tracking and Redemption Subsystem (STARS) database, to obtain counts of retailers authorized to participate in the Food Stamp Program (FSP) by State and store type classification (for example, supermarkets and grocery stores); and the Integrity Profile (TIP) database, to obtain counts of WIC-authorized vendors by State. Specific practices and individual States may have changed since 1999, but the overall patterns remain informative.

Vendor Selection Practices

As stated in FNS regulations, the following principle governs the authorization of WIC vendors:

The State agency shall authorize an appropriate number and distribution of food vendors in order to assure adequate participant convenience and access and to assure that State or local officials can effectively manage review of authorized food vendors in their jurisdiction.³

¹ The appendix includes information for the 50 States and the District of Columbia. State WIC agencies representing Indian tribal organizations; Puerto Rico and the U.S. territories are not included.

² Kirlin, John A. and Nancy Cole. *Assessment of WIC Cost-Containment Practices: An Interim Report to Congress*. Abt Associates, Inc. for U.S. Department of Agriculture, Economic Research Service, under contract number 53-K06-9-11, February 2001.

³ 7 CFR 246.12(e)(2).

Thus, States must balance the goals of adequate participant access and adequate oversight. The regulations recognize this tradeoff by allowing, but not mandating, the States to establish criteria to limit the number of vendors.

State WIC agencies restrict the number of authorized vendors in two ways: by limiting the number, and by establishing selection criteria that applicant stores must meet or exceed to be authorized. Vendor limits are defined either in terms of a maximum number of those authorized (for the whole State or portions of it) or as a minimum ratio of WIC participants to vendors.⁴ Selection criteria may require that vendors maintain a minimum inventory of WIC foods, charge competitive prices, be authorized for FSP participation, have WIC sales exceeding a certain dollar amount or certain percentage of total vendor sales, or have no history of WIC or FSP violations.⁵ As of October 1, 2002, all States were required to use criteria for competitive prices, minimum variety and quantity of supplemental foods, and business integrity.⁶

Competitive Pricing

The principal vendor selection criterion used for cost containment is a competitive pricing standard to exclude high-priced vendors. States with this criterion require that vendors charge a “fair and competitive price.” States differ in defining this price and in whether they use a competitive pricing criterion at application or in evaluating redemptions.

Table E-1 presents information on the use of competitive pricing standards in 1999, based on vendor application materials and vendor handbooks collected for this study from all States using retail food delivery systems. For the purpose of the study, the contractor identified whether competitive pricing was used at application and, if so, the relative stringency of the criterion.

Table E-1 shows that almost all States with retail delivery systems used competitive pricing at application. The relative stringency of the competitive pricing criterion is shown in the classification of States as “highly restrictive” or “less restrictive” in the table (last column). States requiring that applicants’ prices be lower than 110 percent of existing vendors’ average prices were classified as having a “highly restrictive” criterion; those with a threshold greater than 110 percent were classified as having a “less restrictive” criterion. Twenty of the 45 States with competitive pricing used the 110-percent, highly restrictive threshold; they are shown in the last column with an “H.” States using a less restrictive threshold (and those for whom the threshold could not be determined) are shown with an “L.”

Competitive pricing policies identify States that seek to contain WIC food costs by restricting WIC vendor selection based on price. It is apparent from table E-1, however, that the precise details of competitive pricing criteria could not be discerned for some States (those for which “NS%” is

⁴ According to 1999 vendor application materials collected from States for this study, 23 States set a limit on the number of authorized WIC vendors. Ten States limited the ratio of participants to vendors, 1 State limited the absolute number of authorized vendors in the State, and 1 State used both methods. Eleven States limited the number of vendors but did not specify the mechanism in their vendor application materials.

⁵ Other selection criteria, used less frequently, include minimum specifications for days and hours of operation, store size or total food sales volume, and distance from the nearest authorized WIC vendor.

⁶ 7 CFR 246.12(g)(3).

Table E-1—Use of competitive pricing for vendor selection, 1999

State (alphabetical by region)	State used competitive pricing	Competitive pricing criterion ^a	Stringency of criterion ^b
Northeast			
Connecticut	✓	Prices < avg + NS%	L
Maine	✓	Prices < avg + 10%	H
Massachusetts	✓	No ^c	H
New Hampshire	✓	Prices < avg + NS%	L
New York	✓	Prices < avg + 10%	H
Rhode Island	✓	Prices < avg + NS%	L
Vermont (home delivery)			
Mid-Atlantic			
Delaware (price-bid contracts)			
District of Columbia	✓	Prices < avg + NS%	L
Maryland	✓	Prices < avg + 25%	L
New Jersey	✓	Prices < avg + NS%	L
Pennsylvania	✓	Prices < max allowed	L
Virginia	✓	If vendor limit reached	L
West Virginia	✓	Prices < avg + 10%	H
Southeast			
Alabama	✓	Prices < avg + NS%	L
Florida	✓	Prices < avg + NS%	L
Georgia	✓	Prices < avg + 10%	H
Kentucky	✓	Prices < avg + 10%	H
Mississippi (home delivery)			
North Carolina			
South Carolina	✓	Prices < avg + NS%	L
Tennessee	✓	Prices < avg + 10%	H
Midwest			
Illinois	✓	Prices < avg + 5%	H
Indiana	✓	Prices < avg + 10%	H
Michigan	✓	Prices < avg + NS%	L
Minnesota	✓	Prices < avg + 20%	L
Ohio	✓	If vendor limit reached ^d	L
Wisconsin	✓	Prices < avg + 15%	L
Mountain Plains			
Colorado	✓	Prices < avg + 10%	H
Iowa	✓	Prices < avg + 5%	H
Kansas	✓	Prices < avg + NS%	L
Missouri	✓	Prices < avg + 10%	H
Montana	✓	Prices < avg + NS% ^e	L
Nebraska	✓	Prices < avg + 10%	H
North Dakota			
South Dakota	✓	Prices < avg + 15%	L
Utah	✓	Prices < avg + 5%	H
Wyoming	✓	Prices < avg + 15%	L
Southwest			
Arkansas	✓	Prices < avg + 10%	H
Louisiana	✓	Prices < avg + 10%	H
New Mexico	✓	Prices < avg + 10%	H

See footnotes at end of table.

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Table E-1—Use of competitive pricing for vendor selection, 1999

State (alphabetical by region)	State used competitive pricing	Competitive pricing criterion ^a	Stringency of criterion ^b
Oklahoma	✓	Prices < avg + 5% ^f	H
Texas	✓	Prices < avg + 8%	H
Western			
Alaska	✓	Prices < avg + NS %	L
Arizona	✓	Prices < avg + 30%	L
California	✓	Prices < avg + NS %	L
Hawaii	✓	Prices < avg + 30%	L
Idaho	✓	Prices < avg + 25%	L
Nevada	✓	Prices < avg + 5%	H
Oregon			
Washington	✓	Prices < avg + 20%	L
Total	45		

- a “Price < avg + NS %” denotes that State used competitive pricing at application, but vendor materials did not specify the terms of the competitive pricing scheme.
- b Twenty States with limits of 10 percent or less above average prices are rated as “H—highly restrictive; 25 States using prices for selection are rated as “L—less restrictive.”
- c Massachusetts did not reject applicants based on prices, but the State informed applicants if prices were above average and likely to incur penalties. The effect of this process was considered highly selective.
- d Ohio required new vendors to accept payment at no more than 90 percent of the maximum value of food instruments unless they applied during the regular authorization period, which occurred once every three years in each county.
- e Montana vendor selection information is from FNS profile; no materials received from State.
- f Oklahoma used competitive pricing criteria only at reauthorization.

specified for pricing criterion). Moreover, vendor selection practices that are comparable across States may result in different levels of participant access to vendors, depending on the precise details of implementation and the grocery retailing environment in each State.

Ratio of WIC Vendors to FSP Vendors

To compare the effective levels of participant access to WIC vendors across States, the number of WIC vendors in each State was tabulated and compared to the number of FSP-authorized retailers. The FSP data are used to create a comparable measure across States. The ratio of the number of WIC vendors to the number of FSP-authorized retailers indicates the effective restrictiveness of WIC vendor policies. The higher this ratio, the greater the number of retailers participating in WIC and the less restrictive the State’s WIC vendor selection policy; States with more restrictive policies had lower ratios.

Table E-2 presents the number of WIC-authorized stores, by category of store, and the ratio of WIC- to FSP-authorized retailers for three store categories: supermarkets, grocery stores, and other retailers (all other store types). The last two columns of the table indicate the relative restrictiveness of a State’s vendor selection policies according to the ratio.

Table E-2—Number of WIC vendors by State and vendor type, and ratio of WIC vendors to FSP stores within vendor category, 1999

State (alphabetical by region)	Number WIC vendors by category ^a										Ratio of WIC/FSP retailers			Level of vendor restrictions ^b	
	Military commissary	Direct distribution	Home delivery	Pharmacy	WIC-only stores	Super- market	Grocery store	Other retailer	Type unknown	Super- market	Grocery store	Other retailer	Super- market	Grocery store	
Northeast															
Connecticut	1			78		267	257	200	32	0.93	0.70	0.35		L	
Maine	4			3		141	124	94	15	1.06	0.62	0.08	L	L	
Massachusetts	2			130		370	171	157	4	0.78	0.34	0.09	H		
New Hampshire				27		127	28	65	3	0.97	0.44	0.15			
New York				163		1,555	2,527	342	195	0.84	0.44	0.07	H		
Rhode Island				4		50	72	60	6	0.70	0.53	0.14	H	L	
Mid-Atlantic															
Delaware	1			3		47	13	4	2	0.64	0.18	0.02	H	H	
Dist. of Columbia	1			2		20			3	0.51	0.00	0.00	H	H	
Maryland	8			22		430	41	25	50	0.81	0.07	0.02	H	H	
New Jersey	2			33		430	96	12	32	0.63	0.06	0.01	H	H	
Pennsylvania						957	289	78	45	0.76	0.14	0.02	H	H	
Virginia	13			9	2	797	173	92	33	0.96	0.27	0.04		H	
West Virginia				15		274	136	88	21	0.98	0.31	0.06			
Southeast															
Alabama						671	170	129	14	1.01	0.43	0.07	L		
Florida	12			6	45	1,450	227	101	42	0.93	0.20	0.02		H	
Georgia	12			155		915	333	135	153	0.94	0.42	0.05			
Kentucky	2			78		565	389	294	32	0.90	0.44	0.13	H		
North Carolina	6			126	2	1,134	305	452	153	1.01	0.62	0.17	L	L	
South Carolina	7			116		607	97	58	30	1.03	0.32	0.04	L		
Tennessee	1			92	2	734	284	131	43	0.98	0.32	0.06			
Midwest															
Illinois		13				857	414	323	161	0.74	0.24	0.14	H	H	
Indiana		2		95		569	102	9	17	0.83	0.22	0.01	H	H	
Michigan				50		977	383	310	42	1.02	0.41	0.09	L		
Minnesota			10	156		433	285	310	33	1.06	0.73	0.17	L	L	
Ohio			2	170		675	248	120	41	0.55	0.20	0.04	H	H	
Wisconsin	2			130		595	316	103	34	1.01	0.69	0.09	L	L	
Mountain Plains															
Colorado	4			12		311	66	5	5	0.87	0.31	0.01	H		
Iowa				114		349	270	30	15	1.00	0.85	0.03	L	L	
Kansas	3			10		262	88	2	2	0.77	0.44	0.00	H		
Missouri	2			31		601	134	39	5	0.86	0.33	0.02	H		
Montana	1		17	7		139	99	46	4	1.03	0.68	0.10	L	L	
Nebraska	1			40		184	196	13	5	0.99	0.74	0.03		L	
North Dakota	1		3	19		98	124	16	8	0.98	0.96	0.06		L	
South Dakota	1					104	151	21	13	1.13	0.89	0.08	L	L	
Utah	2		3	23	1	204	56	26	6	1.03	0.53	0.07	L	L	
Wyoming				4		66	20	3	8	0.97	0.56	0.02		L	
Southwest															
Arkansas	1	1		1	3	365	175	18	9	1.02	0.34	0.02	L		
Louisiana	3			4		518	302	115	12	0.95	0.32	0.06			
New Mexico	2			8	3	182	58	29	2	0.98	0.38	0.04			
Oklahoma	4			31	5	387	134	17	5	1.04	0.44	0.01	L		
Texas	14			32	87	1,928	248	218	77	1.01	0.13	0.03	L	H	

See notes at end of table.

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Table E-2—Number of WIC vendors by State and vendor type, and ratio of WIC vendors to FSP stores with (continued) category, 1999

State (alphabetical by region)	Number WIC vendors by category ^a										Ratio of WIC/FSP retailers			Level of vendor restrictions ^b	
	Military commissary	Direct distribution	Home delivery	Pharmacy	WIC-only stores	Super- market	Grocery store	Other retailer	Type unknown	Super- market	Grocery store	Other retailer	Super- market	Grocery store	
	Western														
Alaska	6			1		65	29	97	5	1.33	0.31	0.29	L		
Arizona	1			4		437	64	18	6	0.97	0.24	0.01		H	
California				5	153	2,595	647	268	109	0.89	0.14	0.03	H	H	
Hawaii	6					107	11	8		0.91	0.06	0.01		H	
Idaho	1	4	2	6		158	92	14	3	1.02	0.73	0.06	L	L	
Nevada	2					131	9	14	1	0.99	0.09	0.04		H	
Oregon				7		376	98	29	98	0.90	0.28	0.03	H	H	
Washington	6			2		632	91	31	33	0.95	0.21	0.02		H	

a WIC retailers are categorized as “supermarket,” “grocery store,” or “other retailer” based on a match of the TIP and STARS databases. Vermont and Mississippi are excluded from the table because they use home delivery of WIC food items.

b An “H” indicates a highly restrictive policy in authorizing WIC vendors, with “highly restrictive” defined as having a ratio that falls in the lowest one-third of the distribution of ratio values. Those States whose ratios are in the top one-third of the distribution are labeled as “L,” or having less restrictive policies. States with neither an “H” nor an “L” have ratios falling in the middle one-third of the distribution.

Sources: WIC vendors: USDA, Food and Nutrition Service, *The Integrity Profile (TIP) Database*, October 1999.

Food stamp retailers: USDA, Food and Nutrition Service, *Store Tracking and Redemption Subsystem (STARS)*, August 1999.

The ratios in table E-2 are based on data in two databases. The number of FSP-authorized retailers comes from the FNS August 1999 Store Tracking and Redemption Subsystem (STARS), and the number of WIC-authorized vendors comes from FNS’ October 1999 The Integrity Profile (TIP) database.

For supermarkets, the ratio of WIC vendors to FSP retailers varied from a low of 0.55 in Ohio to a high of 1.33 in Alaska.⁷ The distribution for grocery stores varied from a low of 0.06 in both Hawaii and New Jersey to a high of 0.96 in North Dakota. In many instances, States with a highly restrictive rating for one ratio had the same rating for both ratios. Similarly, many States had the less restrictive rating for both ratios.

For the purpose of this study, the contractor used the vendor ratios presented in table E-2 as a consistent measure of the restrictiveness of vendor selection across States. It should be noted, however, that the contractor could not—with complete certainty—attribute all differences in vendor ratios across States to the competitive pricing criteria implemented for cost-containment purposes. Other vendor selection policies, unrelated to cost containment (such as numeric limits and minimum standards), restricted the number of vendors to a level that could be effectively managed by State

⁷ Because the TIP data are for a later month than the STARS data, some WIC/FSP stores may have been counted in one file and not the other. Also, WIC vendors may choose not to participate in the FSP. These factors explain the apparent anomaly of having more WIC vendors than FSP retailers.

agencies and ensured that vendors met standards to adequately provide program benefits. These vendor-selection policies also may have contributed to variation in ratios across States.⁸

Item-Selection Practices

Federal regulations define standard food packages for seven categories of WIC participants: (I) infants 0 through 3 months; (II) infants 4 through 12 months; (III) children and women with special dietary needs; (IV) children 1 to 5 years; (V) pregnant and breastfeeding women (basic package); (VI) non-breastfeeding postpartum women; and (VII) breastfeeding women (enhanced package).⁹ The regulations specify the types of foods in each package and the maximum quantities of each food that may be prescribed.

For participants receiving packages I, II and III, the purchase of infant formula, or medically prescribed formula, is the principal food expense. Food packages II and III also contain infant or adult cereal and juice. Food packages IV through VII each contain four major food groups: milk or cheese, eggs, breakfast cereal, and juice. In addition, packages IV and V contain legumes (peanut butter or dry beans), and package VII contains legumes, canned tuna fish, and carrots.¹⁰

Within the guidelines provided by the Federal regulations, States establish more specific policies for the quantities of foods prescribed to participants. By FNS policy, food quantities must not be reduced for cost-saving reasons, but States may tailor food packages to reduce quantities of foods for individual participants—or categories of participants—based on their nutritional needs, to accommodate participant preferences, intolerances, or household conditions. States, however, are encouraged by FNS to consider cost as well as nutritional impact when determining the allowable types and forms of foods in each food group. The flexibility to make “administrative adjustments” to allowable packaging and brands of foods is an important tool for controlling WIC costs.¹¹

State WIC agencies implement the Federal regulations by assembling a list of “WIC-approved foods” that satisfy both the Federal regulations and the selection criteria of the State. Detailed State selection criteria are not always codified in State plans, but selection is generally based on:

- item availability within the State,
- participant preferences.
- per unit cost, and
- nutrient content (a few States specify criteria more stringent than Federal regulations).

States review and revise their WIC-approved food list annually or biennially to add new food items, drop discontinued items, or implement new selection criteria.

⁸ All States with numeric limits also had competitive pricing criteria. Discussions with FNS regional staff, confirmed by comparison of numeric limits with actual numbers of vendors, suggested that numeric limits were rarely binding on a Statewide basis, although they may have been binding in certain areas within a State.

⁹ 7 CFR 246.10.

¹⁰ Food packages IV through VI provide either milk or cheese or a combination of the two; package VII provides specific quantities of both milk and cheese.

¹¹ FNS Final WIC Policy Memorandum #97-7, May 1997.

Cost-containment item restrictions limit WIC participants' choice of the foods that may be purchased within the prescribed food package. WIC food lists collected from the States indicated four main methods by which item-selection was limited:

- “least expensive brand” policies,
- limits on package size,
- limits on product types and forms, and
- limits on the number of approved brands.

These item restriction policies are summarized in table E-3, as is the related use of manufacturer rebates.

Different methods of cost containment were often applied to the various categories of WIC foods (milk, cheese, eggs, peanut butter, cereal, juice). For the most part, States used different strategies for “dairy” items (milk, cheese, and eggs) and “branded” items (cereal, juice, and peanut butter). These differences arose because participants are more likely to have stronger choice preferences among branded items than among dairy items.

Brands of milk, cheese, and eggs are not highly differentiated in terms of ingredients, nutrient content, and product quality. As a result, limits on product choice within these food categories may not adversely affect participant satisfaction with WIC purchases. The cost-containment practices most often observed within the dairy food groups were “least expensive brand” policies, limits on package sizes, and limits on package form.

Breakfast cereal, juice, and peanut butter are branded grocery items. These products may be highly differentiated in terms of ingredients, nutrient content, or product quality. All State WIC-approved food lists included enumeration of allowable brands and types of breakfast cereal and juice; most States allowed purchase of any brand of peanut butter.

The next sections describe the specific ways in which item restrictions were implemented on State WIC-approved food lists.

Least Expensive Brand Requirements

As noted in table E-3, State agencies with a least expensive brand policy specified on the WIC-approved food list that participants “must buy least expensive brand” for one or more particular food groups. Details of what this means varied slightly from State to State. Variants of the least expensive brand policy included:

Current lowest price:	Within a food category, participants must select the brand that is least expensive at the time of purchase.
Traditionally least expensive:	Within a food category, items chosen for the food list are those that have traditionally been least expensive.
Store brand or least expensive brand:	Within a food category, participants are required to purchase either the store brand or the least expensive brand.

Table E-3—Types of item restriction cost-containment practices, 1999

Type of practice	Definition	Examples
Require least expensive brand	Food list specifically stated "must buy least expensive brand." The policy was most often used for "commodity items": milk, cheese, eggs. The most common statements of this policy, appearing on food lists, are listed at right.	"Least expensive is defined as the least expensive brand on the shelf at the time of purchase." (AR, FL, KS, NM) "Least expensive brand in the category of the participant's choice." (LA, ME) "Store brand/least expensive." (CT, NH) "Generic or store brand if available." (CO) "Must buy least cost brand." (CA, OK) "Least expensive brand." No further guidance. (GA, IL, MA, NV, NC, TX, UT, VA)
Limit package size	Food list specified minimum allowable package sizes. The goal was to limit choice to products with low unit cost or to prohibit package sizes that would preclude purchase of full food prescription.	Milk: restrict to 1/2 gallon or gallon size Cheese: restrict to 8-oz. size or larger Eggs: restrict to dozen per package Frozen juice: restrict to 12-oz. size Peanut butter: restrict to 18-oz. jar Cereal: restrict to 9-oz. size or larger
Limit types and product forms	Food list specified certain product forms as prohibited, or listed certain allowable product forms. The goal was to limit choice to products with low unit cost, while meeting nutritional requirements.	Cheese: prohibit string, shredded, grated, whips, spreads, "cheese foods" Eggs: limit to "large white" eggs "Shelf juice": prohibit liquid concentrates Peanut butter: prohibit organic, low-fat, added jelly, or added honey Infant cereal: prohibit cereal with fruit
Limit brands	Food list contained a subset of available foods meeting Federal WIC nutrient requirements, to limit choice to products with low unit cost, or to keep the list of items "manageable."	Juice: limit number of national brands listed in each flavor category Cereal: limit number of national brands and/or the number of products for each national manufacturer
Manufacturer rebates	Contracts negotiated between State WIC agencies and manufacturers, specifying rebate amount on items purchased with WIC food instruments. The State WIC-approved food list limited choice to the rebate item within the food category.	Some States had contracts for infant cereal, infant juice, or adult juice.

States often adopted a “traditionally least expensive” approach because of the difficulties of implementing a food list with a lowest price policy. Whereas the “current lowest price policy” placed the burden on participants and vendors to determine the lowest price item at the time of purchase, the traditionally least expensive approach allowed the State to enumerate specific items on the food list. The “store brand or least expensive” approach was also adopted as an alternative to the lowest price policy approach, to allow for the purchase of national brand items when they were on sale, or when use of a coupon made the national brand less expensive than the store brand.

Limits on Package Sizes

Choice of package size was generally limited for one of two reasons. The primary reason was to reduce food cost: larger packages generally have lower unit prices. Package size also was limited sometimes to ensure that the entire food prescription was purchased.¹²

When setting package size restrictions, States took into account the circumstances of participants and retailers. States with many small retailers (either in older cities or in rural areas) may have to be more flexible, because smaller retailers do not carry as many different sizes as larger supermarkets. Some States chose to take an educational approach rather than a regulatory one: they stressed the lower unit cost of larger packages in nutrition education.

Limits on Product Types and Forms

Some food lists prohibited certain product forms within a product group (e.g., string, shredded, or grated cheese) or indicated allowable product types (e.g., cheddar and American cheese) or product forms (e.g., large white eggs). In either case, the goal was to limit choice to products with low unit prices (e.g., cost per ounce), thereby cutting the total cost of the food package.

Limits on Brands of Items Due to Nutrient Requirements and Cost

As previously stated, peanut butter, breakfast cereal, and juice may be highly differentiated by brand in terms of ingredients, nutrient content, or product quality. Because of this, not all items within a WIC product category may meet the Federal WIC nutrient requirements. The primary purpose of State WIC-approved food lists is to enumerate products that meet the requirements; a secondary purpose is to enumerate products that meet State criteria for cost savings.

All peanut butter brands meet Federal WIC requirements for nutrient content, except forms with added jelly, honey, or other sweeteners. As a result, most WIC States approved all peanut butter brands for WIC purchase but excluded the types of peanut butter that did not meet Federal requirements.

Only six States restricted peanut butter purchases for cost containment, requiring the least expensive brand of peanut butter. As noted, the meaning of this requirement varied from State to State, so it is not clear whether some or all of these States effectively required the purchase of store-brand peanut

¹² For example, Federal WIC food package regulations stipulate 18 ounces of peanut butter per month. Most States require purchase of peanut butter in 18-ounce jars. This package size requirement is likely due to the fact that purchase of 12- or 16-ounce jars of peanut butter cannot be supplemented with purchases of 6- or 2-ounce jars (because peanut butter is not available in these sizes). Therefore, only purchase of an 18-ounce jar represents full food package consumption.

butter, which would usually be least expensive. A few States, such as Texas, experimented with requiring store brands for peanut butter but then withdrew these requirements before 1999, citing participant dissatisfaction and reduced consumption of peanut butter.¹³

Within the cereal and juice categories, there is a wide range of choice in a typical supermarket, but only subsets of all manufactured cereals and juices meet the Federal WIC nutrient requirements. Within those subsets, each State WIC agency selected items eligible for WIC purchase and enumerated specific products (by brand and type) on the State's WIC-approved food list.

There was considerable variation across States in the number of breakfast cereals and juices on the food lists. Some variation in the number of branded items appeared to be due to the time and effort required to update the lists. States must annually review the nutrient content of items on their WIC-approved food list. By limiting the number of items, a State conserves costs of reviewing current items, approving newly available ones, and disseminating the changes to local agencies, participants, and vendors. Competing priorities for program managers also may lead some States to lag behind others in responding to the introduction of new brands in the marketplace.

Many of the State limits on branded food items, however, were clearly for cost-containment reasons. Typically, item restrictions for cost-containment purposes limited participants to items with low unit cost. For example, containment of food costs was clearly the motive when WIC agencies required purchase of store brands or placed limits on package size.¹⁴ These two types of restrictions were directly observable on State WIC-approved food lists. (Some States used a per unit price cutoff when approving items for their food list, but the actual price cutoffs were generally not documented in State publications.)

In addition to restricting food lists to low-cost brands, WIC agencies were increasingly aware of the cost-reducing advantages of adding store brands to their food lists. Both FNS and industry sources indicated that numerous States have opened up their food lists to increasing numbers of store brands in recent years, responding to the availability and popularity of these alternatives to national brands. Because State agencies often track the food lists of neighboring States, this change has tended to spread on a regional basis.

Summary of Item Restrictions

The item restrictions observed on State WIC-approved food lists are summarized in table E-4. For this table, and in the subsequent discussion, the focus is on the main categories of food that account for most WIC purchases, for example, fluid milk as opposed to evaporated, dry, or lactose-free milk; or peanut butter as opposed to dried beans or peas. The first three columns of table E-4 contain indicators of least expensive brand policies, store-brand requirements, and product-size restrictions, respectively. In each of these columns, food groups are denoted by abbreviation ("m" stands for milk, "c" for cheese, "e" for eggs, and so on, as defined in the footnote to the table).

¹³ Interview with Texas WIC director conducted on February 27, 1997 by Peter Bramble and Leigh White, U.S. General Accounting Office.

¹⁴ Except, as noted above, for peanut butter.

Under “Range of choice,” table E-4 indicates whether the range is “narrow” or “broad” for branded food items. States were classified as either narrow or broad choice based on the number of national-brand breakfast cereals and juices on the State food list. States with a number of items in the top quartile were classified as broad choice; those with a number of items in the bottom quartile were classified as narrow choice. For example, approximately one-fourth of all States allowed 22 or fewer juice choices for WIC purchase, and approximately one-fourth of States allowed 13 or fewer national brands of cold breakfast cereals. These States were classified as narrow-choice States in table E-4. Conversely, States allowing the highest number of choices (in the top quartile) were classified as broad choice.

Table E-4—Item cost-containment practices, 1999 (alphabetical by region)

State	Least expensive brand	Require store brands	Restrict product size ^a	Range of choice		
				Cold cereals	Adult juices ^b	Rebates on foods
Northeast						
Connecticut	m,c,e,j,pb		cer,fj			Gerber (cereal)
Maine	j		cer,fj	Narrow		
Massachusetts	m		cer,fj	Broad		
New Hampshire	m,e,pb		m,fj			
New York			m,cer,fj	Narrow		Gerber (cereal)
Rhode Island (missing food list)						
Vermont (home delivery)						
Mid-Atlantic						
Delaware			c	Narrow	Narrow	Gerber (cereal/juice)
District of Columbia					Narrow	Gerber (cereal/juice)
Maryland			m,fj		Broad	Gerber (cereal/juice)
New Jersey			m,cer,fj			
Pennsylvania			cer,fj			
Virginia	m		m,fj			
West Virginia			fj			Gerber (cereal/juice)
Southeast						
Alabama			m,fj			
Florida	m,e,j		m,cer		Narrow ^b	
Georgia	e,j		m,c,cer			
Kentucky			fj			
Mississippi (home delivery)						
North Carolina	m		cer,fj		Broad	
South Carolina			fj		Broad	
Tennessee			m,cer,fj	Broad	Broad	
Midwest						
Illinois	m,c		m,fj	Broad	Broad	
Indiana			m,cer,fj			Beechnut (cereal)
Michigan			cer,fj		Broad	
Minnesota			m,cer,fj	Broad	Broad	
Ohio			m	Broad	Broad	
Wisconsin			m,fj	Broad	Broad	
Mountain Plains						
Colorado		m,c,e	c,fj	Broad		
Iowa			fj	Broad		
Kansas	m,c,e,j,pb,ic		c,cer,fj	Narrow		
Missouri (missing food list)						
Montana				Broad		
Nebraska		m	fj		Narrow	

See footnotes and definitions at end of table.

—Continued

Ta(continued) | cost-containment practices, 1999 (alphabetical by region)

State	Least expensive brand	Require store brands	Restrict product size ^a	Range of choice		Rebates on foods
				Cold cereals	Adult juices ^b	
North Dakota			m	Broad		
South Dakota			cer			
Utah	m,c,e,j,pb		fj		Narrow ^c	
Wyoming			fj		Narrow ^c	
Southwest						
Arkansas	m,c,e,j		c	Broad		
Louisiana	m		m,c,fj	Narrow		
New Mexico	m,c,e,j,pb		cer,fj	Narrow	Narrow ^c	
Oklahoma	m,c,e	cer	m,cer,fj	Narrow	Narrow	
Texas	m,j		m,cer,fj	Narrow	Narrow ^b	Gerber (cereal)
Western						
Alaska			fj		Broad	
Arizona			fj	Narrow		
California	m		m,c,cer,fj	Narrow	Narrow	Gerber (cereal); adult juice
Hawaii			m,cer,fj	Narrow	Narrow	
Idaho			fj	Narrow		
Nevada	m,e,pb		cer		Narrow ^b	Gerber (cereal)
Oregon			fj		Narrow	
Washington			fj		Broad	

a Restricted product size is indicated if minimum size was: 1/2 gallon or 1 gallon for milk; 9 oz. or larger for cheese; larger than 6 oz. of frozen juice; any specified size for cereal. If food list required "least expensive or store brand," then only "least expensive" column is checked.

b Least expensive brand policy reduced number of allowed national brands.

c Only frozen juice allowed

Definitions:

c = cheese
cer = cereal
e = eggs
fj = frozen juice

ic = infant cereal
j = juice
m = milk
pb = peanut butter

Manufacturer Rebates

Manufacturer rebates were the third type of cost-containment practice examined by this study. WIC State agencies competitively solicit sole-source rebate contracts for a particular food item, such as infant cereal. In exchange for a rebate for each unit of food purchased, the State agency issues only the contracted food item to participants. For example, a State having a rebate agreement with Gerber for infant cereal approves only the Gerber brand for WIC purchases. Thus, from the WIC participant's view, a manufacturer's rebate appears as an item restriction.¹⁵ In 1969, California had negotiated rebate contracts with several juice manufacturers; each contract specified the manufacturer's brand as the sole authorized brand for one or more types of juice.

¹⁵ Some States (such as Missouri and Ohio) received grants from a juice manufacturer based on total sales of the manufacturer's juices, without having any formal agreement. In the Northeast region, the State agencies received compensation to offset the effects of the region's dairy compact on wholesale prices. These arrangements are not considered as rebates in this study because they had no impact on participants' choice of WIC foods.

Manufacturer rebate contracts are shown in the last column of table E-4. Nine States and the District of Columbia had rebate contracts in place in fall 1999. Nearly all rebate contracts were for infant cereal and infant juice; the exception was California's contracts for adult juice, which expired in January 2000.