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The WIC Program: Background, Trends, and Economic Issues, 2015 Edition

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What Is the Issue?

Since 1974, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) has provided supplemental food, nutrition education (including breastfeeding promotion and support), and referrals to health care and other social services to low-income, nutritionally at-risk women, infants, and children up to 5 years of age. Administered by the U.S. Department of Agriculture's Food and Nutrition Service, WIC serves over 8 million people each month, and is widely recognized as one of the most successful food and nutrition assistance programs in the United States. The Healthy, Hunger-Free Kids Act of 2010 (P.L. 111-296), which authorized funds for WIC, is set to expire on September 30, 2015, and the reauthorization process provides an important opportunity to reexamine the operation and effectiveness of the program and to consider improvements. This report explains how WIC works, examines program trends, and discusses some of the major economic issues facing the program. It updates previous reports released in 2002 and 2009.

What Did the Study Find?

WIC has served low-income, nutritionally at-risk women, infants, and children for over 40 years. While much is known about the program and its impacts, new issues arise as the program continues to evolve, including:

- **Impact of economic conditions on program participation.** For much of its early history, WIC participation was limited by the program's budget, so economic conditions had little effect on the number of participants. Since becoming fully funded in the late 1990s, however, WIC's program participation has generally been countercyclical—expanding during economic downturns and contracting during periods of economic growth. Economic conditions affect the size of the eligible population (which is also affected by the number of births) and the coverage rate (the rate of participation among eligible people). Economic conditions have a relatively greater impact on the number of children in WIC than on the number of pregnant women, infants, or postpartum women.
- **Lesser known effects of WIC.** WIC's impact on participants' health and nutrition has received much attention. However, WIC has implications that extend beyond the health and development of program participants. For example, WIC can impact the diet quality of people not in the program since products reformulated for the WIC program are also available to—and consumed by—non-WIC individuals. Additionally, because WIC participants make up a large share of infants and children in the United States, changes in the types of

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foods included in the WIC food packages can affect some food product sales. WIC may also result in higher infant formula prices for non-WIC consumers.

- **Equity issues.** A person who is eligible to participate in WIC in one geographic area may be deemed ineligible in another area due to variations in income eligibility. This is because State and local agencies have discretion in determining income eligibility, and because Medicaid and Supplemental Nutrition Assistance Program (SNAP) eligibility standards are different across States (participants in these programs are automatically income eligible for WIC).
- **WIC food packages.** Changes made to the WIC food packages, implemented in 2009, represent the most significant changes to the WIC program since its inception in the early 1970s. Studies examining their impact suggest that the revisions had a positive impact on food purchases among WIC households, improved the retail food environment, and may have reduced obesity among children.
- **Cost-management issues.** Food costs are the program's largest single cost, accounting for about 70 percent of WIC's budget. The price insensitivity of WIC participants can provide an incentive for some vendors to charge higher prices for WIC foods. To ensure that vendors charge competitive prices for WIC foods, WIC State agencies are required to establish vendor peer groups with allowable reimbursement levels for each peer group. Most State agencies use voucher costs as proxies for food prices to determine reasonable allowable reimbursement values. Partial voucher redemptions (i.e., when participants do not purchase all of the foods listed on the voucher) may present a problem in setting maximum allowable reimbursements, however, since vouchers submitted by WIC vendors for reimbursement only list the cost of the voucher and not the types or quantities of foods purchased with it. As a result, differences in the voucher costs may reflect differences in food prices or differences in the amounts of foods redeemed. Consequently, failure to account for partial voucher redemptions could result in artificially low allowable reimbursement values and potentially shortchange some vendors that have fewer partial voucher redemptions.
- **Infant formula issues.** Infant formula is the single most expensive food item for WIC. WIC State agencies are required by law to operate a cost-containment system for the purchase of infant formula. Typically, infant formula manufacturers compete for each State's infant formula contract. The winning manufacturer provides the WIC State agency with significant discounts in the form of rebates for each can of formula purchased through the program. In exchange, the WIC State agency agrees to issue the manufacturer's infant formulas as the formula of first choice to its infant participants. Rebates have been very effective in reducing costs to WIC and allowing the program to maximize the number of people who can participate in it. After rebates, WIC pays only about 8 percent of the wholesale price for formula (WIC State agencies also pay the retail markup). However, since the manufacturers choose whether or not to bid on States' WIC infant formula rebate contracts, and how much of a rebate to offer WIC, the size of the rebate provided by formula manufacturers is outside the control of WIC. If manufacturers' rebates were to fall, it could increase program costs significantly.
- **EBT.** All WIC State agencies are required to implement electronic benefit transfer (EBT) statewide to distribute food benefits by October 1, 2020. The increasing availability of WIC EBT data may make it possible to examine a number of issues, including the food choices of WIC participants, how those choices are affected by the constraints imposed by the WIC State agency, and how they affect food costs.

How Was the Study Conducted?

Researchers from USDA's Economic Research Service examined WIC's laws and regulations; studied program trends in expenditures, participants, and infant formula rebates; reviewed numerous WIC-related research publications; and met with various Federal and State program managers, WIC researchers, representatives of WIC food manufacturers, and members of WIC advocacy groups.