



**Department of Health Services**



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Director

December 7, 2005

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**GROCER ALERT 2005-13**

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| <b>To:</b>   | ALL WIC GROCERS  |
| <b>Subject:</b>  | NOTICE TO GROCERS OF THE FEDERAL WIC COST CONTAINMENT INTERIM RULE   |
| <b>Purpose</b>   | I am writing to inform you that the United States Department of Agriculture (USDA) Cost Containment Interim Rule was published in the Federal Register / Vol. 70, No. 228, on Tuesday, November 29, 2005. You may access the rule at <a href="http://www.gpoaccess.gov/cfr/retrieve.html">http://www.gpoaccess.gov/cfr/retrieve.html</a> . Enter the following citation at this website: 7 CFR, Part 246, Section 12, to retrieve an electronic copy of the Interim Rule.  |
| <b>Background</b>  | The Cost Containment Interim Rule has been published as a result of the Child Nutrition and WIC Reauthorization Act (CNWRA) of 2004, Public Law 108-265, which requires State agencies to implement a vendor peer group system, competitive price criteria, and allowable reimbursement levels to ensure that the WIC program pays competitive prices for supplemental foods to its authorized vendors. Additionally, as required by the CNWRA of 2004, State agencies must implement the provisions of the Interim Rule no later than December 30, 2005.  |
| <b>Grocer Implications</b>   | As a result of the Interim Rule, the level of reimbursement to vendors may change since the rule requires WIC to: <ul style="list-style-type: none"> <li>• Establish a vendor peer group system and competitive price that considers vendor applicant shelf prices and participant access by geographic area.</li> <li>• Identify vendors who meet a definition of "above-50% vendors" included in the rule and distinguish them from other authorized vendors in a peer group system. State agencies must receive USDA approval of their system to achieve this provision prior to authorizing any new above-50% vendors.</li> <li>• Implement effective peer groups for establishing maximum reimbursement levels and routinely monitoring shelf prices of authorized vendors.</li> </ul> In addition, to the release of the federal rule, I also want to inform you that the Agricultural Appropriations Act of 2005 maintains the moratorium on authorizing new above-50% vendors. |
| <b>Other</b>   | We will continue to provide you with updates regarding implementation of the new federal rules as they become available.   |
| David Markell, Chief<br>Food Management and Integrity Section<br>WIC Supplemental Nutrition Branch |  |

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