



State of California—Health and Human Services Agency
Department of Health Services

March 24, 2006

GROCER ALERT 2006-02



ARNOLD SCHWARZENEGGER
Governor

TO: ALL WIC GROCERS

SUBJECT: CHANGES TO WIC REIMBURSEMENT RATES AND ANY AUTHORIZED VENDOR IMPLEMENTATION DATE

Purpose

I am writing to notify you of upcoming changes in the way that the Women, Infants and Children (WIC) Supplemental Nutrition Program sets maximum allowable reimbursement rates (“maximum rates”) for authorized vendors and to advise you regarding a change in the implementation date for the Any Authorized Vendor (AAV) project.

- Effective June 1, 2006, WIC will have two different maximum rates. One rate will be for *stores that derive more than 50 percent of their total annual food sales revenue from the sale of supplemental foods obtained with WIC food instruments (above-50-percent vendors)* and one rate will be for regular vendors (i.e. those that do not meet the definition of above-50-percent vendor).
- Effective October 1, 2006, WIC will be establishing peer groups for all authorized vendors and determining separate maximum rates for each peer group.
- AAV implementation is being delayed until October 1, 2006 to accommodate the changes required to establish peer groups and the new methodology for maximum rates.

Impact

If you operate a store that meets the definition of above-50-percent vendor, anticipate that:

- The maximum rates for food instruments you redeem will be lower than the current maximum rates. The rates that will be effective June 1, 2006 will be announced in mid-May via mail and the WIC website.
- Beginning June 1, 2006, the maximum rate will *NOT be printed on the food instruments issued to above-50-percent vendors* since it will change periodically.

**Impact
(continued)**

- In early April 2006, the owners of above-50-percent stores will receive a letter from the WIC program with important information about this change, including how the rates will be calculated. All vendors identified as meeting the above-50-percent definition will be subject to the maximum rates for above-50-percent vendors beginning on June 1, 2006.

For regular vendors:

- There is no change in the way WIC will establish the maximum rates through September 2006.

Over the next several months, WIC will provide information to all vendors about the vendor peer groups and reimbursement rates that it plans to implement on October 1, 2006.

Background

The Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265) was signed into law on June 30, 2004. Among the provisions, it requires state WIC agencies to 1) establish a vendor peer group system and competitive price criteria and allowable reimbursement levels for each peer group and 2) identify vendors that meet the above-50-percent definition and establish separate cost criteria and allowable reimbursement levels for them to ensure they do not result in higher food costs if participants redeem WIC food instruments at these vendors rather than at vendor locations that do not meet the above-50-percent definition.

The U.S. Department of Agriculture (USDA) issued federal regulations to implement the vendor cost containment requirements of the WIC Reauthorization Act as interim Rule RIN 0584-AD71 (published in Federal Register Volume 70, Number 228) on November 29, 2005. This rule "...requires State agencies to operate vendor management systems that effectively contain food costs by ensuring that prices paid for supplemental foods are competitive." The interim rule establishes a framework for developing peer groups and also requires state agencies that authorize above-50-percent vendors to request approval for certification of their peer group system from USDA. In addition, it requires states to conduct on-going monitoring of their peer group system to ensure that the above-50-percent vendors do not result in higher food costs to the program than if participants used their WIC food instruments at other stores. If USDA determines that a state has not achieved this requirement, it will require the state to return the funds spent in excess and to change its system.

Background (continued) During the past several years, California WIC has been working with WIC authorized vendors and trade associations to revise our system for determining maximum reimbursement rates by establishing vendor peer groups. This work has helped to prepare us for implementing the new federal requirements.

Implementation of Any Authorized Vendor Delayed As we have advised in past communications with you, the WIC Program will be implementing a requirement to issue WIC food instruments that participants can use at any authorized vendor (AAV). In order to make this change, we have identified several options to assist you in submitting information about the WIC food instruments you have redeemed before you deposit them for payment. The planned implementation date for this has been July 2006. However, we are delaying the implementation of AAV until October 1, 2006 in order to put both AAV and peer group reimbursement in place at the same time. There are advantages for both the WIC Program and for vendors in pairing these two changes. Your support for the AAV project and willingness to work with us to implement it have been greatly appreciated. We look forward to continued partnership with you to implement it in October. More information about testing and training timeframes for AAV will be provided in the future.

Thank you for your cooperation. If you have any questions, please contact your WIC Grocer Consultant at (916) 928-8705.

David Markell, Chief
Food Management and
Integrity Section
WIC Supplemental Nutrition Program

Enclosures