



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



September 8, 2009

ARNOLD SCHWARZENEGGER
Governor

VENDOR ALERT 2009-15

TO: ALL WIC VENDORS

SUBJECT: MAXIMUM ALLOWABLE DEPARTMENT REIMBURSEMENT RATES:
NEW WIC FOOD PACKAGES

Purpose

I am writing to provide you with information regarding the Maximum Allowable Department Reimbursement (MADR) rates for the new WIC food packages that will be in effect beginning on October 1, 2009.

Background

The changes to the WIC food packages for participants are being made pursuant to the US Department of Agriculture "Revisions in the WIC Food Packages Interim Rule". This Rule implements the first comprehensive revisions to the WIC food packages since the program began. These revised food packages were developed to better reflect current nutrition science and dietary recommendations for Americans.

In 2006, WIC implemented peer group authorization and reimbursement rates for vendors of different types and characteristics. One MADR rate is for vendors in peer group 1 that derive more than 50 percent of their total annual food sales revenue from WIC food instruments (above-50-percent vendors). All other vendors (regular vendors) are assigned to one of 15 peer groups based on the number of registers and the geographic location of the store.

Each peer group has MADR rates calculated for their group. For regular vendors, the MADR rate is based on the average redemption amount charged by vendors within each peer group plus a tolerance amount to account for variation of product availability, participant selection, and shelf prices. For above-50-percent vendors (A-50), the MADR rate is based on the average reimbursement amount of all regular vendors. MADR rates are calculated every two weeks using redemption data from the preceding 12 weeks.

New Food Instrument Reimbursement Rates Available on VWIX

WIC will begin printing and issuing new food instruments (FIs) to provide the new food packages to participants beginning October 1, 2009. Many of the new FIs will include both foods currently provided plus new food items; some FIs will include only new food items; and some FIs that are currently in use will continue.

Each FI that WIC issues includes a "Food Item Number" printed on it. For each new Food Item Number developed for the new food packages, WIC has determined a MADR rate. As is currently the case, vendors may access WIC's Vendor Information Exchange website at www.vwix.ca.gov to obtain their peer group's MADR rates for each Food Item Number. The MADR rates for the new



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**New Food
Instrument
Reimbursement
Rates Available
on VWIX
(Continued)**

Food Item Numbers, as well as updated rates for the current Food Item Numbers, will be available on the VWIX website for viewing and downloading on September 13, 2009. In order to provide the information to vendors at least two weeks in advance of the date when the new FIs will be issued, we are providing the MADR rates for the new Food Item Numbers on September 13 even though no FIs will be printed for these until October 1, 2009.

**Determining the
MADR Rates**

Currently, most of the WIC FIs are issued for single food items. Based on participant and vendor feedback, most of the FIs in the new food package will include multiple food items. This will reduce the number of FIs that each participant receives since most participants will receive 4 or 5 per month rather than the current number of 6 or 7.

Because we do not have FI redemption data for the new foods, we have used other data to determine the MADR rates for the new Food Item Numbers as follows:

- For regular vendors, we conducted shelf price surveys at store locations of 570 regular vendors in June through August, 2009. The stores selected for the survey are those that redeem the largest number of FIs, and stores from the 15 peer groups of regular vendors were included. The information collected on these surveys is being used to develop MADR rates for the new Food Item Numbers for regular store peer groups.
- For A-50 vendors, we purchased market share and price data from Information Resources, Inc. (IRI) to use to develop MADR rates for the new Food Item Numbers. This data is obtained from California stores with annual sales of \$2 million or more. Since the MADR's for A-50 vendors are calculated as the average redemption price of regular vendors, and since the majority of FIs redeemed in California are at vendors included in the IRI data, the average prices in IRI will approximate the average redemption prices WIC will experience for the new foods at regular vendors.

For current Food Item Numbers that will continue after October 1, 2009, the MADR rates will be updated every two weeks based on redemption data for the previous 12 weeks using the current process. All of the current Food Item Numbers will continue at least through January 2010 because there will be FIs for the current Food Item Numbers for the months of October, November and December printed prior to October 1, 2009. The current Food Item Numbers for infant formula and infant cereal will continue on even after January 2010 since FIs for these foods will still be printed as "single food" FIs.

Many of the new FIs for the new food packages include both current WIC foods and new food items. For those FIs, the MADR rates for the first 12 weeks will be a combination of redemption data for the current foods and either shelf price survey (for regular vendors) or IRI data (for A-50 vendors) for the new foods. During the 12 weeks after October 1, 2009, WIC will closely monitor FI redemption prices and review FIs that are rejected for exceeding MADR rates and, when necessary, WIC will make

**Determining the
MADR Rates
(Continued)**

adjustments to the MADR rates for new Food Item Numbers to ensure that participants are able to purchase authorized foods. For regular vendors, we anticipate that the MADR rates will remain relatively stable during the 12 weeks after October 1, 2009. For A-50 vendors, the MADR rates for new Food Item Numbers will be adjusted as needed every 2 weeks to meet the federal requirement to ensure that prices for A-50 vendors are no higher than the average redemption prices for all regular vendors.

WIC plans to resume the normal MADR rate calculations for all Food Item Numbers once we have 12 weeks of redemption data for the new Food Item Numbers. When the normal MADR rate calculations are resumed using actual redemption data, the MADR rates may vary from the MADR rates developed for the first 12 weeks. For example, MADR rates for FIs for infant foods, soy beverage, tofu and juice may be lower based on 12 weeks of redemption prices of the foods participants actually select than the rates we have determined for the first 12 weeks. This may be the case because we have determined the rates for new Food Item Numbers based on the assumption that participants will choose the more expensive options. In reality, they may choose less expensive foods.

Because the MADR rates for regular vendors for the new Food Item Numbers are based on prices for the more expensive authorized foods identified on vendor price surveys, we expect that the rates will accommodate prices of all authorized foods. As noted, WIC will closely monitor FI redemption prices for the new Food Item Numbers and will make adjustments during the first 12 weeks to ensure that the MADR rates are appropriate when the normal automated rate calculations resume. Therefore, it is important that vendors not restrict participants from purchasing more expensive authorized foods or request that participants substitute less costly foods. As always, vendors must allow participants to purchase the full quantity specified on the FI and must not request that participants take less food if the price exceeds the MADR rate.

**New Fruit and
Vegetable FIs**

For both regular vendors and A-50 vendors, there will be new FIs that participants can use to purchase fruits and vegetables. On these FIs, the MADR rate will be printed in amounts from \$3 to \$15. If they choose to do so, participants must be permitted to pay the difference with cash or EBT if the value of the fruits and vegetables they select exceeds the MADR on the fruit and vegetable FIs. However, these FIs may only be redeemed for up to the MADR rate. If a fruit and vegetable FI is submitted for reimbursement with an amount greater than the MADR rate, it will be rejected and returned unpaid.

**Additional
Reminders:
Vendor
Preparation**

The following reminders are also provided to help you prepare for the October 1, 2009 changes:

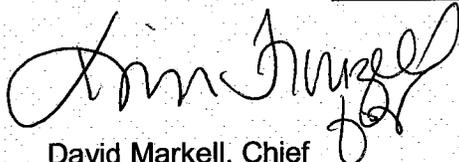
- Train your store personnel on upcoming changes and provide them with the WIC Food List that will be effective on October 1, 2009.
 - Ensure your store's shelf inventory complies with the new minimum stocking requirements.
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**Additional
Reminders:
Vendor
Preparation
(Continued)**

- Ensure new authorized food items are on store shelves by October 1, 2009 and that WIC "shelf talkers" are placed by the new items.
- Due to the double and triple month issuance of FIs to participants, there will be a three-month transition period where your store will redeem FIs with the food items that are currently authorized and FIs including food items in the new food packages. You must honor both types of FIs and sell the foods listed on them.
- If needed, update store cash register/point of sale systems to include new authorized food items and to allow for participants to "pay the difference" for fruit and vegetable FIs.
- Periodically access and review New Food Package and Other Changes FAQ's at: <http://www.cdph.ca.gov/programs/wicworks/Pages/WICVendorFoodPackageFAQs.aspx>

Questions

Thank you for your cooperation. If you have any questions concerning these upcoming changes, please contact your WIC Vendor Consultant directly or call (916) 928-8705



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