Chapter V

Administrative Issues in WIC

In addition to issues relating to WIC's impact on the health of program participants, numerous issues are associated with administering a program of WIC's size and complexity. Issues related to the composition of the WIC food package, cost-containment practices, program accessibility, eligibility standards, and reducing fraud and abuse in the program directly affect the women, infants, and children who participate in the program, as well as indirectly affecting other groups, including food retailers, infant formula manufacturers, and farmers.

The WIC Food Package

The last major revision to WIC food packages was in 1980. Since then, the ethnic/racial characteristics of the WIC participant population and food consumption patterns have changed considerably while nutritional standards have evolved as the result of recent research findings. It is therefore important to determine if the current packages are adequate in assisting program participants to meet nutritional standards for a healthful diet or if they can be improved to better meet the needs of program participants.

The WIC program provides participants with supplemental foods that are not intended to meet the total nutritional needs of the participants.[44] The WIC legislation defines "supplemental foods" as those foods containing nutrients determined by nutritional research to be lacking in the diets of the program's target population, as prescribed by the Secretary of Agriculture (Section 17(b)(14) of the Child Nutrition Act of 1966, as amended). Historically, WIC food packages have contained foods that are high in protein, calcium, iron, and vitamins A and C. The legislation also states that the Secretary, to the degree possible, shall assure that the fat, sugar, and salt content of the WIC foods is appropriate (Section 17(f)(11)). As of 1980, Federal regulations require that cereals eligible for use in the WIC food packages for women and children must contain no more than 6 grams of sugar per dry ounce of cereal (7 CFR 246.10).[45] This regulation was in large part in response to advice from nutrition and health experts, the WIC community, and the general public, as well as the recognition that dental caries is a major public health problem and the role that sugars in foods play in the development of dental caries (*Federal Register*, March 18, 1996).

Periodically, USDA has reviewed the nutritional adequacy of the WIC food package. The latest review, completed by USDA's Center for Nutrition Policy and Promotion (CNPP) in 1999, was in response to inquiries by members of Congress and representatives of the food industry about the scientific basis for continuing the sugar limit for WIC-eligible adult cereals.[46] Instead of focusing solely on one requirement of the WIC foods (i.e. the sugar limit for WIC cereals), USDA decided to conduct a review of the overall WIC food packages. The study analyzed the nutrient intake of WIC participants to determine how well they meet current nutritional standards, including the 1989 Recommended Dietary Allowances (RDA), the 1995 Dietary Guidelines for Americans, and the Food Guide Pyramid. The study examined the median intakes of WIC participants, focusing on the five nutrients targeted in the WIC program—protein, iron, calcium, vitamins A and C, and four other nutrients of potential concern (folic acid, zinc, vitamin B_6 and magnesium)—as well as energy.

Results of the study indicated that while WIC infants and children generally achieved good nutrient intake, the diets of WIC women needed improvement

[44]Participants are expected to obtain the balance of necessary nutrients from other food sources.

[45]At the same time, a limit was placed on the amount of cheese in the food packages to restrict salt intake.

[46]Research continues to support the relationship between sugar and dental caries, however, it has been shown that consumption of any fermentable carbohydrate, starches as well as sugars, contributes to dental caries. In addition, recent research has failed to demonstrate a positive relationship between sugar consumption and chronic disease (*Federal Register*, March 18, 1996).

(Kramer-LeBlanc et al., 1999). [47] Infants and children met all nutrient recommendations.[48] Relative to the RDA, pregnant women were deficient in the intake of iron, calcium, folic acid, magnesium, zinc, and energy. Nonbreastfeeding women did not consume the recommended amounts of calcium, vitamin C, and magnesium. The authors of the study concluded that pregnant women and nonbreastfeeding women may either be not purchasing the entire WIC food package or not consuming all the WIC foods furnished in their package. The study also estimated the amount of sugar added to foods in the manufacturing process in the diets of WIC participants. Children 1-4 years of age consumed over twice the amount of added sugar recommended by the Food Guide Pyramid, pregnant women 1.5 times over the suggested amount, and WIC nonbreastfeeding women 1.3 times over (breastfeeding women did not exceed the suggested amount). However, the authors concluded that the contribution of the WIC package to added sugars in the overall diet is very low.[49]

Concurrent with the CNPP review of the WIC food packages, the National Association of WIC Directors (NAWD) conducted its own independent review, based in part upon a survey of its membership (National Association of WIC Directors, 2000). They recommended significant changes to the WIC food prescriptions, defined as the specific combination and quantities of allowable foods issued to WIC participants, including:

- Increased consumption of fruits, vegetables, whole grains, and fiber-rich foods,[50]
- Reduction in the fat content of specific foods and the overall food package
- Balanced contribution from the major food groups in the Food Guide Pyramid
- Increased availability of nutrient-dense food prescriptions, and
- Substantially increased flexibility for WIC State agencies to offer locally available foods that reflect cultural groups served and regional dietary patterns.

Minority groups, especially Hispanics, account for an increasing percentage of WIC participants. Changing demographics may support NAWD's recommendation to allow State agencies the flexibility to offer food prescriptions that respond to cultural or religious needs. NAWD's stated goal is to collaborate with USDA to implement nutrition policy and practice changes related to the WIC food packages that will positively impact the WIC population. USDA is currently in the process of reexamining the composition of the WIC food packages.

WIC Eligibility Standards

Although support for WIC is generally widespread, public concern has developed about the effectiveness of WIC's eligibility criteria and whether WIC has expanded too much.[51] In fiscal 2000, over 7 million persons participated in the program each month. About 27 percent of all U.S. children and infants under 5 years of age now participate in WIC, including an estimated 47 percent of all infants born in this country.

Eligibility for WIC is based on category, residency, income, and nutrition risk. Because the number of participants in WIC is limited by funding levels, a priority system is used to allocate program slots. The dramatic growth in WIC's funding during the 1990s has allowed the program to serve more people with lower priority and raised questions about whether the nutrition risk criteria are too lenient. In developing estimates of the number of persons eligible for WIC (used in part to develop program budget estimates), USDA estimated that 81 percent of all women, infants, and children, including 95 percent of all infants, who were income

[47]Because of the difficulty of quantifying milk intake, breastfed infants were not included in the analysis.

[48]The study reported that shortfalls in the intake of zinc were seen among children, pregnant women, and breastfeeding women. However, in 2001 the National Academy of Sciences published new recommendations for zinc intake. Breastfeeding women age 18 and older and children met the recommendations for zinc when applying the new standards.

[49]Most of the added sugar in the WIC food packages comes from peanut butter and ready-to-eat cereals.

[50]Congress has also recommended that FNS look into ways to increase produce consumption in WIC. In 2001, the Committee on Appropriations urged FNS to study the feasibility of an incentive pilot program to increase produce consumption under the WIC and Food Stamp Programs. The increase in produce consumption "could enhance the control of adverse health conditions such as diabetes, high blood pressure, and osteoporosis" (U.S. House of Representatives, 2001).

[51]For example, Besharov and Germanis (1999) question "why a remedial program like WIC is now provided so broadly." Others, on the other hand, are concerned that many fully eligible persons are not seeking WIC benefits. The next section examines several access and participation issues.

eligible in 1997 also met the nutrition risk criteria (table 6) (USDA, 1999e).[52]

Prior to 1999, WIC State agencies were allowed to develop their own nutrition risk criteria (within broad Federal guidelines) for determining eligibility in WIC. As a result, the criteria used to determine nutrition risk eligibility varied among WIC State agencies. Concern about this variation across State agencies led USDA to award a grant to the National Academy of Sciences' Institute of Medicine (IOM) in 1993 to conduct a comprehensive review of the scientific basis for the categories of nutrition risk criteria used in the WIC program—anthropometric, biochemical and other medical, dietary, and predisposing factors (USDA, 1998). In 1996 IOM released its report of the study, which concluded that while a majority of the nutrition risk criteria used by the WIC program were supported by a body of scientific evidence, some of the nutrition risk criteria used by States consisted of loosely defined conditions with generous cutoff points (Institute of Medicine, 1996). The report also made recommendations for the use of specific nutrition risk criteria. A Federal/State/local workgroup was then formed to address the issues and recommendations of the report and develop a list of allowable nutrition risk criteria based on sound science. As of April 1999, WIC State agencies began using criteria from this national list of allowable nutrition risk criteria in determining an individual's eligibility for WIC.

The development of nutrition risk criteria is ongoing. The IOM report also identified areas in which further research is needed. For example, IOM concluded that the current methods used to determine which individuals are at nutrition risk due to diet are weak and they recommended investing in the development and validation of practical dietary assessment tools that can be used for the identification of dietary risks.[53] USDA awarded a grant to IOM to review the scientific basis for methods used in the assessment of individuals for eligibility in WIC based upon dietary risk. An interim report was released in 2000 and the final report of this study is expected in 2002 (Institute of Medicine, 2000).

Questions have also been raised about whether the income eligibility requirements for WIC are too lenient. For example, the income eligibility limit for WIC is 185 percent of poverty, more lenient than the 130 percent of poverty limit used in the Food Stamp Program—the country's principal food assistance program. In addition, some States' Medicaid programs now allow some persons with incomes greater than 185 percent of poverty to qualify for WIC since participation in Medicaid makes one adjunct (that is automatically) income eligible for WIC. Some have questioned whether WIC adjunct income eligibility policies should necessarily apply in these States (Lewis and Ellwood, 1998).

Although income is used to determine eligibility for WIC, it is not used in determining an individual's priority level which is determined solely by participant category and nutrition risk.[54] Furthermore, the amount of benefits participants receive are independent of their economic need as measured by family income. That is, a child in a family with income less than 50 percent of

[52]A recent FNS-funded study determined that 9 out of 10 income eligible persons in 1989 were also at nutrition risk based on medical and/or dietary criteria (Harell et al., 1999).

[53]Dietary risk is the most commonly reported nutrition risk for determining WIC eligibility (Bartlett et al., 2000).

[54]A report by the U.S. General Accounting Office (1985) stated that WIC program officials generally considered income to be an unreliable indicator of vulnerability.

Table 6—1997 estimate of WIC eligibles

Item	Pregnant women	Postpartum and breastfeeding women	Infants	Children	Total
			Thousands		
Income eligible	1,202	860	1,617	6,813	10,492
Fully eligible	1,094	783	1,536	5,110	8,522
Participation	756	953	1,869	3,808	7,386
Coverage (percent)	69	122	122	75	87

Source: USDA, 1999e.

the poverty threshold will receive the same WIC benefits as a child at similar nutrition risk, in a family at 185 percent of poverty, holding all other factors constant. [55] This is different from the Food Stamp Program, in which a household's benefits decrease as household income increases.[56]

A recent article by Besharov and Germanis (1999) states that while the positive effects of WIC are probably concentrated among its most disadvantaged participants, all WIC participants in the same target group receive basically the same set of WIC benefits regardless of differences in need. They argue that WIC, instead of continuing to expand coverage to progressively less needy families, should target more WIC resources to the most needy families. They suggest that States should experiment with increasing the food package and intensify counseling services for the most needy families. Others have suggested that, given budgetary constraints, it might be advisable to reduce the overall eligible WIC population by dropping certain eligible categories of participants, such as all 4-year-olds (Library of Congress, 1997).

Do certain groups, such as the lowest income, the most nutritionally at risk, the youngest children, etc., benefit more from WIC than others? At present, little is known about the degree to which WIC benefits accrue to the most disadvantaged. More research is needed on the distributional effects of WIC participation to determine whether society would be better served by targeting more benefits to fewer, more needy families. Conversely, additional research on those persons just above the margin (e.g., nonbreastfeeding mothers 6- to 12-months postpartum and 5-year-old children) would be useful in determining the degree to which they may benefit by participating in WIC if eligibility were expanded.

[55]Participation in WIC does not preclude an individual from participating in other food assistance programs such as food stamps. Therefore, the child at 50 percent of poverty may be able to receive food stamps in addition to WIC benefits while the child at 185 percent of poverty would not be eligible for food stamps. A 1985 GAO report stated that many WIC policy officials believed that individuals whose family incomes are too high to be eligible for assistance from other programs may be at more economic need and nutritional risk than individuals with lower incomes but who qualify for other assistance programs (U.S. General Accounting Office, 1985).

[56]As a result, the determination of the amount of benefits an individual can receive in WIC is administratively simpler than in the Food Stamp Program.

Access and Participation Issues

While some are concerned that WIC eligibility requirements may be too lenient, others argue that access to the program should be improved, and ask why more persons eligible to participate are not being served (see Ku et al., 1999). Some WIC-eligible subgroups, for example children (especially older children), do not participate to the same degree as other subgroups.[57] Little research has been conducted on the demographic characteristics of those WIC-eligible persons who do not participate in the program and their reasons for not participating.

A related issue that concerns policymakers is whether programs such as WIC are accessible to working women and their children, particularly at a time when welfare reform legislation, in the form of the Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193), is encouraging increased labor-force participation among low-income mothers. A recent study by the U.S. General Accounting Office (1997b) addressed the question of access by surveying WIC directors.[58] Potential barriers facing working women, as well as changes the WIC offices have made to assist working women, were both discussed in this report. Directors identified a number of reasons that working women might not participate in WIC, the primary ones being that the women lose interest in WIC benefits as their income increases, there is a perceived stigma associated with receiving WIC benefits, and working women may think that they are not eligible to participate in WIC. Difficulty in reaching the clinic, long waits at the clinic, and the lack of service during the lunch hour were other factors mentioned.

The directors were also asked whether they used various strategies to accommodate working women. These included scheduling appointments, designating an alternative person to pick up food instruments, and extending the hours that the WIC office was open. Almost all clinics allowed the scheduling of appointments (instead of taking participants on a first-come, first-served basis) and allowed an alternative person to pick up the food instrument. Similarly, most agencies issued food

[57]Among children 1 to 4 years of age in WIC in 1998, 36 percent were 1 year of age while only 16 percent were 4 years of age (Bartlett et al., 2000).

[58]The study was conducted from March to September 1997, i.e., before the full impacts of the welfare reform legislation were felt.

vouchers for more than 1 month at a time (89 percent) and were open during the lunch hour (75 percent). About half offered evening hours although very few were open Saturdays (11 percent) or early in the morning (21 percent). Although 76 percent of the directors reported that accessibility to their clinics was at least moderately easy for working women, 9 percent reported that accessibility was still a problem. Fifty-eight percent of those interviewed thought that their clinic was more accessible in 1997 than it was in 1995, while fewer than 1 percent thought it was less accessible.

While the GAO study addressed some of the accessibility issues, a number of issues remain unaddressed. For instance, no interviews of women actually participating in the program, or who were eligible for the program but choose not to participate, were conducted. Thus, the study only reiterates the concerns of a sampling of directors, but not those of the actual participants or eligible nonparticipants.

The New York State Department of Health recently conducted a study with a grant from USDA's Food and Nutrition Service to identify barriers to continuing on WIC after the initial certification period. The study provides information from the perspective of the participants themselves (Woelfel et al., 2001). The authors developed a survey, which listed 68 potential barriers to participation and asked WIC participants to identify those items they perceived as barriers. The most commonly reported were:

- Long waiting time (reported by 42 percent of respondents), overcrowded and noisy WIC clinics (reported by 36 percent of respondents) with nothing for the children to do (42 percent),
- Nutrition education sessions that were boring (27 percent) and repetitive (33 percent),
- Difficulty matching the amount of cereal specified on the WIC voucher to cereal box sizes in the store (41 percent), and
- Respondents feeling that WIC did not issue enough juice (27 percent) or infant formula (38 percent).

As a result of this study, the New York State WIC program has taken steps to minimize barriers to continued participation in WIC. Other States may wish to identify barriers within their own clinics and develop policies to improve access to the program.

Estimating WIC Eligibility

A somewhat controversial policy issue surrounding WIC concerns the estimation of the number of persons eligible for WIC and the number of eligibles who would participate if funds were available. These estimates, which are done separately for women, infants, and children, are calculated by FNS and used for several purposes, including:

- **Budget estimates.** Projections of the number of eligibles and the number who would likely participate if funds were available are considered in developing WIC program budget estimates used in the President's budget request and the congressional budget process.
- **Coverage estimates.** Ratios of actual participants to estimated eligibles for the program as a whole and by participant category are used to assess how close the program is to the administration's goal of "full funding" whereby the program would serve all the eligible persons who apply. In 1997 (the most recent available data), overall coverage was estimated at 87 percent, with rates of 122 percent for infants, 75 percent for children, 69 percent for pregnant women, and 122 percent for postpartum women (table 6) (USDA, 1999e).

Underestimating the number of people eligible and likely to participate in WIC could result in a shortfall of funds to serve them while overestimating the number of people eligible and likely to participate in WIC could result in insufficient appropriations to other important programs (National Research Council, 2001). In recent years, Congress has expressed some concern about the accuracy of these estimates (U.S. House of Representatives, 1998). For example, the implausibly high participation rates (above 100 percent) for infants and postpartum women in recent years suggest either that ineligible persons are participating in WIC, or that the number of eligibles has been underestimated. FNS has sponsored a program of studies to improve the estimates.

One of these recent studies examined a number of issues affecting the accuracy of estimating the number of WIC eligibles (Gordon et al., 1999). For example, annual income is currently used to estimate income eligibility, while in reality the majority of participants are eligible based on the family's current income and more individuals may be eligible based on monthly (or

biweekly) income rather than annual income (for example, during a recent period of unemployment). The current estimation procedure also does not take into account that certification is for 6 months to 1 year, which could also lead to an underestimate of eligibles since some WIC participants may not be currently income-eligible but were when they were certified.[59] Further, some of the datasets used in developing the estimates are old and may not reflect current conditions. In addition, while applicants can meet any one nutrition risk criteria to be eligible for WIC, comprehensive datasets containing information on all of the nutrition risk criteria do not exist.

A main reason cited for the possible underestimation of WIC eligibles is that the current estimation technique does not take into account that some States raised their Medicaid cutoff level for infants above the cutoff for WIC, thus raising eligibility since by law Medicaid participants are income-eligible for WIC (Gordon et al., 1999).[60] The impact of the Medicaid program on estimating WIC eligibles is likely to become even more important in the future if the expansions of State Medicaid programs to infants with incomes above 185 percent of poverty continues.

Another concern of Congress is that some States have carried over unused balances in recent years, suggesting that WIC is fully funded and possibly serving ineligible persons (U.S. House of Representatives, 1998). The General Accounting Office looked into this issue and identified a number of reasons (some related to how the program is administered) that States had unspent funds, and concluded that "having unspent funds does not necessarily indicate a lack of need for program benefits" (U.S. General Accounting Office, 1997c).[61]

A final concern is linked to the question of full funding and the estimation of the number of eligibles who would participate if funds were available. For fiscal years 1993 through 1996, estimates of full funding needs were made based on the assumption that 80 percent of those eligible were likely to participate. This figure was based on observed participation rates among young children in the Aid to Families with Dependent Children Program (AFDC) and the Food Stamp Program during the late 1980s. The rate was raised to 83 percent in fiscal 1997 to meet a goal of funding 7.5 million participants. Although the rate was purposely set for that goal, and was not based on direct empirical evidence, there is some evidence that participation in other programs increased in the 1990s. For example, participation by young children in the Food Stamp Program has recently been estimated at 94.5 percent (Gordon et al., 1999). These results suggest that the actual WIC full-funding participation rate may be greater than 83 percent.[62]

In response to congressional interest, USDA asked the National Research Council to convene an expert panel to review the methodology used in developing the estimates of the number of people who are eligible and likely to participate in the WIC program. The principal finding from the panel's initial work "is that the current methodology and assumptions employed by FNS substantially understate the number of people who are income eligible for WIC" (National Research Council, 2001). The panel is currently examining alternative methods and data sources for estimates and is considering improvements in data that could affect the estimates.

[59]In other words, WIC accumulates new participants as they become eligible, but drops those persons who become income ineligible in later months only after their certification period (usually a 6-month period but up to 12 months for most infants) ends (Lewis and Ellwood, 1998).

[60]As of 1996, seven States qualified infants with incomes above 185 percent of poverty for Medicaid—California, Hawaii, Minnesota, Rhode Island, Tennessee, Vermont, and Washington (Lewis and Ellwood, 1998).

[61]For example, because the Federal grant is the only source of funds for WIC in most States, States exercise caution to ensure that they do not spend more than their Federal grant. In addition, because States use vouchers and checks to distribute food benefits, it is difficult for them to determine the program's food costs until the vouchers and checks have been redeemed and processed. The installation of a new computer system in one State temporarily reduced the amount of time clinic staff had to certify and serve new clients because they had to instead spend time learning new software and operating procedures.

[62]Because of differences between the programs, the WIC full-funding participation rate could be either higher or lower than participation rates in AFDC or the Food Stamp Program. See Gordon et al. (1999) for a discussion of the reasons that WIC participation rates may be either higher or lower than participation rates in these other programs.

Assessment of WIC's Cost-Containment Practices

Because WIC is a discretionary grant program that serves as many people as the available funding permits, WIC officials seek to contain program costs, particularly food costs, to serve greater numbers of eligible people (food costs accounted for $2.8 billion or about 73 percent of the total cost of the WIC program in fiscal 1999). The WIC State agencies use a variety of practices to control costs, which can be grouped into three main categories:

(1) Negotiating rebate contracts with food manufacturers.

(2) Restricting the size or brand of food items that participants can obtain with WIC food instruments.

(3) Restricting the number and/or types of approved WIC vendors.

The primary cost-containment practice is contracting with manufacturers to obtain rebates on infant formula. Since the late 1980s, Federal law has required that WIC State agencies enter into cost-containment contracts for the purchase of infant formula used in WIC. WIC is expected to receive nearly $1.5 billion in fiscal 2001 from infant formula rebates. Two concerns arose around the question of formula pricing after the WIC rebate requirement was put in place. The first concern was that the policy change might lead to a rise in the price of formula paid by non-WIC participants. The second concern was whether rising prices would in turn be an indication that non-WIC participants were subsidizing WIC.

According to a recent report by the U.S. General Accounting Office (1998b), the wholesale price of formula rose 9 percent in 1989, the same year in which the rebate policy was put into place. Although this rise was considerably higher than increases in the years before or after this change (which averaged 3 percent), the report states that other explanatory factors for this rise in price could not be ruled out. In particular, changes in the structure of demand or production costs may have led to increased prices. While the report did not rule out that prices may have risen as a result of the rebate program, it concluded that non-WIC consumers of infant formula were not subsidizing WIC since the prices WIC pays for formula cover production costs, although they are far below wholesale prices. In 1996, the average wholesale price of formula was $2.48 per can while WIC paid only 15 percent of that price, or 38 cents per can.

In October 2000, Congress directed USDA's Economic Research Service (ERS) to report on the "number of suppliers of infant formula in each State or major marketing area, and to compare the cost of formula that is included in the WIC program versus the cost of formula that is not included in the WIC rebate program" (H.R. 106-948). An interim report (presenting preliminary findings) from the ongoing study was released in April 2001 (Oliveira et al., 2001). The final report was sent to Congress in October 2001.

The study's results indicate that infant formula from the major manufacturers was available throughout the country and that there was no clear and consistent relationship between a formula's being the WIC contract brand and having the highest average retail price.

In addition to the use of infant formula rebates, WIC State agencies use a variety of other practices to control costs including contracting with manufacturers to obtain rebates on other WIC foods.[63] Some State agencies also limit authorized food selections by requiring participants to select the lowest cost brands of food. While decreasing food costs, limiting food items can have a negative impact if WIC participants do not select that food item or do not consume it (U.S. General Accounting Office, 1997a).[64] The least-cost brand requirement may also make food selection more burdensome for vendors and confusing for participants (which, as a result, may use up scarce participant contact time explaining how to select the least-cost brands that could be spent on nutrition education).

While the use of rebates reduces food costs to WIC, the procurement process requires additional administrative effort and resources by WIC State agencies. In addition, State agencies could become increasingly dependent on the funds provided through these rebate contracts (U.S. General Accounting Office, 1997a). A

[63]For example, in fiscal year 1996 nine WIC State agencies obtained rebates on infant cereal and/or infant fruit juices (U.S. General Accounting Office, 1997a).

[64]For example, the WIC State agency in Texas discontinued the least-cost brand requirement for peanut butter after discovering that participants were not selecting it (U.S. General Accounting Office, 1997a).

problem could arise if the manufacturers begin to offer lower rebates, in which case States may have insufficient funds to provide benefits to the current level of participation.

Some States also restrict the number of vendors and/or select vendors with competitive prices in order to contain WIC costs. According to GAO, the retail community does not support placing limits on the number of approved WIC vendors (U.S. General Accounting Office, 1997a). Questions about whether the number of vendors servicing WIC clients are adequate have also been raised. Also of concern in inner cities and rural areas is the issue of whether a vendor is located within a convenient distance of some clients.

Concerns have been raised that overly restrictive cost-containment policies may reduce WIC participants access to and consumption of prescribed foods, ultimately leading to reduced participation and adverse health impacts (*Federal Register*, June 28, 2000). Some people have also questioned whether these cost-containment practices save enough in food costs to compensate for their additional administrative costs.

The William F. Goodling Child Nutrition Reauthorization Act of 1998 (P.L.105-336) mandated that USDA conduct a study on the effect of cost-containment practices (other than infant formula rebates) in the WIC program on seven outcomes: (1) program participation; (2) access and availability of prescribed foods; (3) voucher redemption rates and actual food selections by participants; (4) participants on special diets or with specific food allergies; (5) participant use and satisfaction of prescribed foods; (6) achievement of positive health outcomes; and (7) program costs. The goal of this study is to provide the first systematic data on the balance struck by WIC State agencies between the goals of nutritional improvement and customer satisfaction and the need to make the most of limited program funds (*Federal Register*, June 28, 2000). Information from this study will provide WIC officials with a better understanding of the potential impacts of cost containment as they make future decisions regarding the implementation of these cost-containment practices. The study, funded by ERS, is scheduled to be completed in fall 2002 (an interim report by Kirlin and Cole was released in February 2001).

Fraud and Abuse in the WIC Program

Fraud and abuse in WIC wastes taxpayers' money and, since WIC serves only as many eligible people as funding allows, may result in fewer eligible persons being able to participate in the program. Three separate groups could engage in fraud or abuse—food retailers (or vendors), participants, and employees:

- **Vendor fraud and abuse** is any intentional or unintentional action of a vendor that violates the vendor agreement, program regulations, policies, or procedures. Vendor fraud includes providing unauthorized foods, or nonfood items to participants in exchange for food instruments; charging the program for supplemental foods not received by participants; and charging the program more for supplemental foods than other non-WIC customers are charged for the same foods.
- **Participant fraud and abuse** occurs when participants obtain benefits to which they are not entitled and/or to misuse the benefits they receive and includes intentionally making a false statement to obtain WIC benefits (e.g, by misrepresenting their income, claiming fictitious dependents), receiving benefits from multiple local agencies or clinics (dual participation), and exchanging food instruments for cash or unauthorized items.
- **Employee fraud and abuse** occurs when employees violate program regulations, policies, or procedures and includes obtaining benefits for themselves or for persons not eligible for the program.

Two early studies funded by USDA's Food and Nutrition Service estimated the extent of fraud and abuse in WIC (U.S. General Accounting Office, 1999). The WIC Income Verification Study found that 5.7 percent of all WIC enrollees in 1988 were income ineligible (either deliberately or unintentionally) and they accounted for 5.8 percent of the total cost of WIC food benefits.[65] The WIC Vendors Issues Study found that in 1991 an estimated 22 percent of vendors overcharged and these overcharges amounted to less than 2 percent of the total dollar value of WIC food vouchers redeemed. A followup to the WIC Vendors Issues Study was conducted in 1998 and examined the extent

[65]A recently released study estimated that 4.5 percent of WIC enrollees in 1998 were not eligible for WIC benefits (Cole et al., 2001).

to which WIC vendors were violating program rules and regulations (Bell et al., 2001). The results indicated that about 8 percent of all vendors overcharged buyers for the items purchased, however, fewer than 2 percent of all WIC redemptions nationally were attributed to overcharge.[66] Over one-third of all vendors (35 percent) allowed minor substitutions of unauthorized foods within a WIC food category (e.g., unauthorized cereals), while only 4 percent of all vendors allowed major substitutions involving a purchase of an item outside of the WIC food category (e.g., soda).

The U.S. General Accounting Office recently conducted a study in response to congressional concerns about the potential for fraud and abuse in the WIC program and the lack of reliable information on the subject. Information for the study was based on a survey of all State WIC agencies and a random sample of local WIC agencies. Their report, released in 1999, described what is known about the level of fraud and abuse in WIC, and examined the efforts taken to prevent and detect fraud and abuse (U.S. General Accounting Office, 1999). According to GAO, WIC State agencies reported that about 9 percent of all vendors committed fraud or abuse during fiscal 1997 and 1998.[67] The level of detected participant and employee fraud and abuse was much lower. Over the same 2-year period, local WIC agencies reported that only 0.14 percent of the average monthly number of participants committed fraud or abuse of a serious nature (such as exchanging food vouchers for cash or dual participation), while 1.6 percent of the average monthly number of participants committed less serious offenses (such as redeeming food vouchers outside authorized dates). Little fraud or abuse by employees was reported. GAO acknowledged that their estimates of fraud and abuse underestimate actual levels, in part because detected levels of fraud and abuse reflect the level of detection efforts which differed among the State and local WIC agencies. In addition, some fraud and abuse (by vendors, participants, and employees) goes undetected regardless of detection efforts.

[66]Overcharges are not necessarily deliberate attempts to commit fraud. For example, simple cashier error could result in an overcharge. Almost 7 percent of all vendors undercharged WIC buyers.

[67]The number of vendors committing fraud or abuse varied greatly by State. Fifteen States reported no detection and 6 States reported detecting 25 percent or more of their vendors as having committed fraud or abuse.

Monitoring the WIC program for fraud and abuse is resource-intensive and the lack of resources, in terms of both personnel and funding, was cited by many WIC State officials as one of the barriers inhibiting efforts to detect and prevent fraud in the WIC program. Activities associated with detecting and preventing fraud and abuse are funded through the Nutrition Services and Administration (NSA) grants to the WIC State agencies. Therefore, fraud and abuse detection and prevention activities compete with the other activities funded by the NSA grants, such as nutrition education, and program outreach, for limited resources.

State officials also cited limited resources as inhibiting their ability to implement the electronic benefits transfer (EBT) system. Using the EBT system to issue WIC food benefits offers a means of reducing some of the vulnerabilities for fraud and abuse by both vendors and participants (*Federal Register*, June 16, 1999). Instead of paper checks or vouchers, EBT uses a computer chip on the EBT card to issue and transact food instruments. Only when the EBT system approves the food item for purchase is the item accepted as part of the WIC transaction. Participants must enter a secret personal identification number (PIN) to access their EBT card, thereby reducing the likelihood that unauthorized individuals will use the card to obtain WIC food benefits. Since the person's EBT account lists the authorized WIC foods available to the recipient, the universal product code (UPC) listed on food items can be checked against the list of authorized foods to determine if that food item is allowable, as the cashier electronically scans each food item. The use of the UPC reduces the opportunity for overcharging, substitution, and charging for food items not received. Only if the computer indicates that the food item is allowable will that item be accepted as part of the WIC transaction. Currently, EBT is only in operation in parts of Wyoming, Ohio, and Nevada, which are conducting pilot tests examining the feasibility of using EBT in the WIC program statewide in fiscal year 2002. However, other States (including Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, North Dakota, Rhode Island, Texas, and Vermont) are in various stages of planning for EBT pilot studies (USDA, 1999b).

The GAO recommendations to improve program integrity include: amend program regulations to require State agencies to limit the number of vendors they authorize to a number they can effectively man-

age while meeting the regulatory requirements for participant access; develop and implement cost-effective strategies for the States to use in collecting and monitoring information on incidences of participant fraud and abuse; and require WIC State agencies to have policies and procedures for addressing employee conflicts of interest.[68/69]

Since its inception, WIC regulations have contained provisions directed specifically at the prevention and detection of fraud and abuse. For example, participants are required to meet eligibility criteria in order to receive WIC benefits and State agencies are required to conduct onsite monitoring visits to at least 10 percent of authorized food vendors each year. However, in recent years Congress has expressed concern that as the WIC program has grown in size and complexity, so too has the potential for loss of program funds through fraud and abuse (*Federal Register*, June 16, 1999). Recent legislation in the form of the William F. Goodling Child Nutrition Reauthorization Act of 1998 (P.L. 105-336) contained provisions specifically designed to strengthen integrity in WIC. For example, the Goodling Act requires State agencies to (1) implement a system to prevent and identify dual participation within each local agency and between local agencies under the State agency's jurisdiction; and (2) identify high risk vendors and conduct compliance buys on them.

Vendors who have been convicted of either trafficking in WIC vouchers or other serious violations may be permanently disqualified from participating in WIC unless disqualification of the vendor would cause hardship to participants. The Goodling Act also requires that all applicants, except in limited circumstances, be physically present, document their income (or participation in the Food Stamp, Medicaid, or TANF programs) and provide proof of residency and identification, at certification.[70] Prior to this legislation, States were allowed to establish their own documentation requirements for applicants. A study by the U.S. General Accounting Office (1997a) conducted prior to the passage of the Goodling Act, found that at least 14 States did not require applicants to provide documentation of income eligibility, 20 States did not require applicants to provide proof of residency, and 12 States did not require applicants to provide proof of identity.

In December 2000, USDA published a final rule amending regulations governing the WIC food delivery systems (*Federal Register*, December 29, 2000). The rule increases program accountability and efficiency in food delivery and should decrease vendor violations of program requirements and loss of program funds. It strengthens vendor management in retail food delivery systems by establishing mandatory selection criteria, training requirements, criteria to be used to identify high-risk vendors, and monitoring requirements, including compliance investigations.

Given the size of the program and the costs associated with its operation, integrity issues in the WIC program will continue to come under scrutiny.

[68]By limiting the number of vendors, States can more frequently monitor vendors and conduct compliance investigations to detect and remove vendors from the program who commit fraud or other serious program violations, according to Federal and WIC State officials (U.S. General Accounting Office, 1998a).

[69]Potential conflicts of interest may arise when employees also participate in WIC or when an employee both certifies and issues benefits to the same individual.

[70]Although the family income of participants must be documented, WIC State agencies are not required to verify the documentation.