USDA Food and Nutrition Service
U.S. DEPARTMENT OF AGRICULTURE

Research Summary August 2022

USDA Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Vendor Management Study: 2015 Electronic Benefit Transfer (EBT) Pilot (Report Summary)

Background

The United States Department of Agriculture, Food and Nutrition Service (FNS) administers the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) by providing Federal grants to 89 State agencies. State agencies implement WIC through local agencies where eligible participants receive tailored food benefits, nutrition education, breastfeeding promotion and support, and referrals to health care and social services.

A primary WIC benefit is the supplemental food package. Historically, participants redeemed the food packages using paper-based food instruments at authorized vendors. Since 2010, State agencies have been transitioning to Electronic Benefit Transfer (EBT), which allows WIC food purchases to occur electronically. At the time of this study in 2015, 14 State agencies provided WIC food benefits exclusively via EBT. All State agencies are expected to implement WIC EBT by 2023.

In compliance with the Payment Integrity Information Act (PIIA) of 2019, FNS routinely conducts the WIC Vendor Management Study (WVMS). The study, last published in 2013, measures improper payments associated with vendor payment error and the extent to which WIC vendors comply with program rules. To inform future studies in the series, this study examined compliance with program requirements and rates of violations among WIC EBT vendors in 2015 and tested a method to identify and measure errors that contribute to improper payments in an EBT environment.

Key Findings

- Very few vendors committed errors that contributed to improper payments. Future studies will need larger sample sizes than prior studies or different analytic approaches to develop valid improper payment estimates.
- Future methods should carefully consider which prices from the transaction record should be compared when determining the best purchase price for each food item.
- Requests for EBT data from State agencies should include specific and detailed data requirements to ensure consistent and complete data are obtained.
- The timing of transaction data requests needs to be considered to account for post-transaction editing that occurs.

Methods

Using undercover shoppers, the study conducted approximately 1,076 compliance buys using WIC EBT cards at 584 WIC retail vendors across 9 EBT States in 2015.

There are two types of compliance buys:

1. Safe buy: The buyer attempted to purchase allowable foods only: milk, cereal, peanut butter, beans, and infant formula or infant jarred foods. The buyer also attempted to purchase up to $4 worth of fresh fruits and vegetables.

2. Substitution buy: The buyer attempted to purchase the same allowable foods as in the safe buy as well as two items not authorized by WIC.

The undercover shoppers collected data on administrative errors that do not conform to certain program requirements (e.g., insufficient stock). In previous studies, these errors have been associated with violations that contribute to improper payments.

Compliance buy data collected by the undercover shoppers were merged with redemption data for the EBT transactions to estimate overcharges. Transactions were considered overcharges when the vendor's requested price was greater than the price a non-WIC customer

would pay (i.e., the best purchase price). To calculate the vendor contribution to improper payments, overcharges are translated to overpayments based on comparison of the settled price paid by the State and the best purchase price. In some cases, for example, reductions made by the State for the purpose of cost containment reduced the potential overpayment amount or prevented an overpayment altogether.

Findings

Very few vendors were found to be committing errors that contribute to improper payments. Only 3 of 491 vendors overcharged WIC for items purchased during safe buys. The information obtained from State agencies did not explain why these overcharges occurred. In 28 other cases, initially flagged as potential overcharges, they were ultimately explained by the vendor's use of a loyalty card price at the point of sale (while requesting the full price from WIC). After further review, it was determined that these cases did not qualify as overcharges because the loyalty card discount was ultimately reflected in the reconciliation process.

No unapproved WIC foods were allowed by cashiers during attempted substitution buys. The use of State agencies' Approved Product Lists (APLs) to identify WIC authorized foods by EBT States reduces the possibility that WIC will be charged for unauthorized food items. Findings confirmed this, as there were no substitutions for unapproved foods allowed.

Cashier denial of the purchase of approved WIC foods was observed during some EBT transactions. Despite increased reliance on scanning devices at the point of sale, 14 percent of EBT vendors incorrectly identified WIC-approved items as unapproved at least once across both study buys. These administrative errors occurred most frequently during cash-value benefit transactions for fruits and vegetables.

Recommendations for Future Studies

This study identified several ways in which the methods needed to detect payment errors and estimate improper payments differ in the WIC EBT environment. As part of this study, State agencies provided detailed information about their EBT data and processes, which inform the following recommendations:

Carefully consider which prices from the transaction record should be compared when determining the best purchase price for each food item. Previous studies in the series defined the best purchase price (i.e., the price that is used to determine whether an error that contributes to improper payment occurred) as the receipt price, price observed on the register, or shelf price, with priority given to the receipt price. However, these prices may differ from the point of sale price or what a vendor is paid by WIC.

When requesting EBT data from State agencies, the request should include specific and detailed data requirements to ensure consistent and complete data are obtained. Both transaction-level and item-level data are needed in order to examine transaction edits for coupons and discounts.

The timing of transaction data requests needs to be considered to account for post-transaction editing that occurs. While most State agencies' transaction data are available within 24 hours of the purchase, some State agencies retrospectively apply Maximum Allowable Reimbursement Levels (the highest price that a WIC vendor may be reimbursed for a food item, depending on its vendor peer group) based on transactions that occurred during a given processing month. Therefore, it may be necessary to request data at least 2 months after the last transaction under review.

Future studies may need larger sample sizes than prior studies or different analytic approaches to develop valid estimates of the errors that contribute to improper payments. Although rare, overcharges can occur in EBT transactions. There may be additional ways in which an overcharge can occur in WIC EBT that were not examined or identified through this study. In this study, it was not possible to explore vendor- and State agency-level characteristics that might be associated with violations because payment errors were so infrequent. If subgroup analyses are needed, a larger sample of vendors will be required.

For More Information:

Gleason, S., Wilkin, M., Erickson, L., Eicheldinger, C., Porter, J. (2022). USDA Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Vendor Management Study: 2015 Electronic Benefit Transfer (EBT) Pilot. Prepared by Altarum Institute and RTI International, Contract No. AG-3198-#C-11-0009. Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service, Office of Policy Support, Project Officer: Dr. Chan Chanhatasilpa. Available online at: www.fns.usda.gov/research-and-analysis.

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