

## VI. FOOD FUNDS MANAGEMENT

Food funds management involves monitoring cost containment measures and procedures related to infant formula and other food items, the monitoring and management of State agency funding sources, and the accurate reporting of participation figures.

**A. *Cost Containment Measures - 246.4(a)(14)(x)*:** describe the policies and procedures used to implement cost containment measures as they relate to infant formula contracts, their approval and the processing of infant formula and/or other rebates, and food package cost containment practices.

**B. *Funds Monitoring/798 Reporting - 246.4(a)(12)and (a) (14)*:** describe the State agency's funding sources, how food obligations are calculated to allow for inflation, rebate cash management, and monthly closeout monitoring activities.

**C. *Participation Reporting - 246.4(a)(11)(i)*:** describe the methods used to accurately document and monitor participation at the State and local level, and methods for monitoring changes in participation by priority.

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**A. Cost Containment Measures**

**1. The State agency seeks FNS approval related to infant formula cost containment measures (check one):**

- for a waiver of the requirement for a single-supplier competitive system. State agency must complete a cost comparison projecting food cost savings in the single-supplier competitive system based on the lowest monthly net price or highest monthly rebate (as required in Section 246.16a(c)(3)(iii)) and savings under an alternative cost containment system, Section 246.16a(d)(2)(B)
- X to issue an infant formula bid solicitation that evaluates bids by highest rebate. A State agency must demonstrate to FNS' satisfaction that the weighted average retail prices for different brands of infant formula in the State vary by 5% or less, Section 246.16a(c)(3)(iii)
- not applicable

**Please attach in the appendix supporting documentation for requests for FNS approval.**

**ADDITIONAL DETAIL: Food Funds Management Appendix** Food Funds Management Appendix I WIC Milk Based Infant Formula RFP and Appendix II Soy based Infant Formula RFP

**2. Cost Containment Contracts for Infant Formula**

**a. The State agency has a rebate contract/agreement for infant formula.**

- |   |                                     |                          |   |
|---|-------------------------------------|--------------------------|---|
| X | Yes                                 | <input type="checkbox"/> | No  |
|   | If yes, attach contract in Appendix |                          | If no, check which applies:<br><input type="checkbox"/> granted waiver<br><input type="checkbox"/> ITO with participation under 1,000 |

**b. The State agency acquires infant formula through (check all that apply):**

- home food delivery system
- direct distribution food delivery system
- X retail food delivery system
- X other (specify): Direct purchase of exempt/special formula from manufacturers

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**A. Cost Containment Measures**

- c. **The duration of the contract or rebate agreement(s) in effect is:**  
For a single-supplier system or multi-supplier: Date contract/agreement:

| Manufacturer | Began     | Expires   | Extensions |
|--------------|-----------|-----------|------------|
| Mead Johnson | 10-1-2009 | 9-30-2009 | N/A        |
|              |           |           |            |
|              |           |           |            |

- d. **Current fiscal year rebates and current net price per can paid (note the price should reflect current prices rather than original contract prices and rebate amounts):** See attached rebate document FFM Appendix V Rebate Prices 10-2009

| Product                                  | Manufacturer | Rebate/Unit | Net price/Unit | % Discount |
|--|--------------|-------------|----------------|------------|
| <b>Liquid Concentrate (13 oz)</b>        |              |             |                |            |
| Milk-Based                               |              |             |                |            |
|  |              |             |                |            |
| Soy-based                                |              |             |                |            |
|  |              |             |                |            |
| Other                                    |              |             |                |            |
|  |              |             |                |            |
| <b>Powder (specify unit size)</b>        |              |             |                |            |
| Milk-based                               |              |             |                |            |
|  |              |             |                |            |
| Soy-based                                |              |             |                |            |
|  |              |             |                |            |
| Other                                    |              |             |                |            |
|  |              |             |                |            |
| <b>Ready to Feed (specify unit size)</b> |              |             |                |            |
| Milk-based                               |              |             |                |            |
|  |              |             |                |            |
| Soy-based                                |              |             |                |            |
|  |              |             |                |            |
| Other                                    |              |             |                |            |
| <b>Exempt Formula (specify)</b>          |              |             |                |            |
|  |              |             |                |            |
|  |              |             |                |            |
|  |              |             |                |            |

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### A. Cost Containment Measures

e. The percent of infants receiving each type of formula is estimated at:

#### Contract

|   |     |
|---|-----|
| Milk-based liquid concentrate                                       | <1% |
| Soy-based liquid concentrate  | <1% |
| Milk-based powdered   | 78% |
| Soy-based powdered  | 11% |
| Milk-based ready-to-feed  | <1% |
| Soy-based ready-to-feed   | <1% |
| Other contract infant formula<br>(including lactosefree milk-based) | <1% |

#### Non-contract

|                           |     |
|---------------------------|-----|
| Exempt infant formula     | 10% |
| Non-exempt infant formula | <1% |

#### **ADDITIONAL DETAIL: Food Funds Management Appendix III Rebate Contract Milk; Appendix IV Rebate Contract Soy; Appendix V Rebate Prices 10-2009**

3. The State agency's infant formula rebate solicitation/contract contains the following provisions (check all that apply):

- Does not apply (granted waiver or ITO with participation under 1000)
- Establishes the contractor's responsibility to provide sufficient quantities of products covered by contract to all authorized WIC vendors in the State.
- Requires contractor to provide a rebate on all infant formulas it produces that the State agency chooses to issue, except exempt infant formulas
- Specifies that the rebate reflects the same percentage discount on the manufacturer's lowest national wholesale cost as the corresponding physical form (i.e., liquid concentrate) for which bids were received.
- Requires manufacturer to adjust for price changes subsequent to the bid opening. The provision requires a cent-for-cent increase and decrease (decrease applies only to solicitations released after 10/1/04) in the rebate amounts whenever there is any change in the lowest national wholesale price for a full truckload of a particular infant formula.
- Specifies that the contractor shall pay the rebate in effect on the day the participant actually transacts the food instrument (regardless of the food instruments' issuance date).

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### A. Cost Containment Measures

- X Requires payment of rebates on all infant formula purchased while contract is in effect, even though the contract may be void at the time payment is due.
- X Requires advance payment of rebates, at least during the fourth quarter of each Federal fiscal year, to facilitate the State agency's cash flow situation.
- X Stipulates sanctions for unfulfilled contract obligations (e.g., if payment is not made within 30 days of the invoice date, the contractor will pay the State agency with interest, at a rate specified in the contract, on the unpaid balance until such time as payment is made over and above the amount due from infant formula rebate.)
- Includes an extension option for a specified length of time. Terms and conditions of extension person(s) are specified in the request for bids and contract.
- X Addresses billing discrepancies. Prohibits contractor from withholding rebate payments due under any circumstances. All disputes must be settled by closeout of the fiscal year in which the dispute occurred.

#### 4. For infant formula rebate solicitations issued on or after October 1, 2004, the following applies:

If single solicitation (for both milk- and soy-based formulas), State agency serves a monthly average of less than 100,000 infants during preceding 12-month period.

Yes       No

If no, requested separate bids for milk- and soy-based formulas.       Yes       No

Is solicitation for a State alliance?      X Yes       No

If yes, the size of alliance must be no more than 100,000 infants as of October 1, 2003, unless:

X Alliance existed prior to July 1, 2004 and has not added additional State agencies,

Alliance expanded to include an ITO, or

Alliance expanded to include a State agency(ies) that serves less than 5,000.

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**VI. FOOD FUNDS MANAGEMENT**

**A. Cost Containment Measures**

**5. Cost Containment for Other Foods**

**a. Rebates are also obtained on other WIC foods.**

- Yes (specify foods and attach contract in Appendix):  
 No

**b. The State agency intends to pursue rebates on other authorized foods.**

- Yes (specify):  
 No

**c. To contain food costs, the State agency has limited authorized foods/container sizes/types, etc..**

- Yes (If yes, note such limitations on the following table)  
 No

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

## VI. FOOD FUNDS MANAGEMENT

### A. Cost Containment Measures

|   | <b>Specific brands are designated/ Disallowed</b> | <b>Only certain container sizes are allowed</b> | <b>Allowable types are limited</b> | <b>Other</b>                               |
|---|---|---|------------------------------------|--|
| <b>Exempt formula for women, infants &amp; children</b> | <b>X</b>  |   |                                    |  |
| <b>Infant cereal</b>                                    |   |   | <b>X</b>                           |  |
| <b>Infant juice</b>                                     |   |   |                                    | <b>N/A</b>                                 |
| <b>Whole fresh fluid milk</b>                           |   |   |                                    | <b>Least expensive at time of purchase</b> |
| <b>Lowfat fresh fluid milk</b>                          |   |   |                                    | <b>Least expensive at time of purchase</b> |
| <b>Skim fresh fluid milk</b>                            |   |   |                                    | <b>Least expensive at time of purchase</b> |
| <b>Cultured buttermilk</b>                              |   |   |                                    | <b>Not allowed</b>                         |
| <b>Whole dry milk</b>                                   |   |   |                                    | <b>Not allowed</b>                         |
| <b>Lowfat dry milk</b>                                  |   |   |                                    | <b>Not allowed</b>                         |
| <b>Nonfat dry milk</b>                                  |   | <b>X</b>  |                                    |  |
| <b>Other milks (e.g., UHT, Lactaid) (specify):</b>      | <b>Lactaid<br/>Dairy Ease</b>                     |   |                                    |  |
| <b>Cheese</b>   |   | <b>X</b>  | <b>X</b>                           | <b>Least expensive at time of purchase</b> |
| <b>Fresh eggs</b>                                       |   | <b>X</b>  | <b>X</b>                           | <b>Least expensive at time of</b>          |

**VI. FOOD FUNDS MANAGEMENT****A. Cost Containment Measures**

|   |          |          |          | <b>purchase</b>                      |
|---|----------|----------|----------|--------------------------------------|
| <b>Dried egg mix</b>                              |          |          |          | <b>Not allowed</b>                   |
| <b>Hot cereal</b>                                 | <b>X</b> |          |          |                                      |
| <b>Cold cereal</b>                                | <b>X</b> |          |          |                                      |
| <b>Single strength fruit/<br/>vegetable juice</b> | <b>X</b> |          |          |                                      |
| <b>Concentrated fruit/<br/>vegetable juice</b>    | <b>X</b> |          |          |                                      |
| <b>Peanut butter</b>                              |          | <b>X</b> | <b>X</b> |                                      |
| <b>Dry beans/peas</b>                             |          |          | <b>X</b> |                                      |
| <b>Tuna</b>                                       |          |          | <b>X</b> |                                      |
| <b>Carrots</b>                                    |          |          |          | <b>N/A with<br/>new food<br/>pkg</b> |

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**B. Funds Monitoring/798 Reporting**

**B. FUNDS MONITORING/798 REPORTING**

- 1. The State agency has procedures to assure that the requirements are met regarding the nonprocurement of food in bulk lots, supplies, equipment and other services from entities that have been debarred or suspended.**

X Yes  No

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**2. Food Cost Obligations**

- a. The State agency calculates food obligations based on the following data (check one):**

X number of expected participants and average food cost per participant  
 number of expected participants by category (e.g., pregnant woman, infant, etc.) and average food cost per participant category  
 number of expected redemptions by food instrument type and cash-value voucher type and average value per food instrument type and cash-value voucher type  
 other (specify):

- b. The State agency estimates the impact of inflation on food costs through the use of the following inflation escalators:**

X Inflation factor used in Federal funding formula  
 State-generated estimates of inflation based on State market basket of foods  
X Best guess by food item based on economic reports or other sources  
 Other (specify):

- c. The State agency ADP system automatically produces a monthly obligation amount**

X Yes  
 No, data are pulled from various sources and an estimated amount is calculated manually or with a PC spreadsheet  
 Other (specify):

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**B. Funds Monitoring/798 Reporting**

- d. The State agency system (in-house or contracted) provides the following data on food instrument and cash-value voucher redemptions at specific (daily, weekly, monthly, as needed) frequencies (check all that apply and provide frequency):**

| <u>Frequency</u>     | <u>Data</u>  |
|----------------------|--|
| <u>Monthly</u> _____ | X food instruments and cash-value vouchers paid for issue month        |
| <u>Monthly</u> _____ | X food instruments and cash-value vouchers outstanding for issue month |
| <u>Monthly</u> _____ | X food instruments and cash-value vouchers that have expired           |
| <u>Monthly</u> _____ | X food instruments and cash-value vouchers that are void/unclaimed     |

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**3. Rebate Cash Management**

- a. The State agency has a billing system in place that ensures infant formula rebate invoices, under competitive bidding, provide a reasonable estimate, or actual count of the number of units purchased by participants during WIC transactions.

- Actual count of units purchased  
 Estimate of units purchased (attach methodology)  
 State reduces the invoice by an “error rate”. The error rate is \_\_\_\_\_%.

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

- b. The State agency uses a food instrument that enables it to identify the type and brand of infant formula redeemed.**

- Yes, for all formula types, brands, and physical forms  
 Yes, for exempt infant formulas  
 No

- c. The invoice to the formula manufacturer is issued by:**

- the WIC unit  
 the State agency fiscal unit  
 other (specify):

- d. Invoices are submitted with backup data.**

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**B. Funds Monitoring/798 Reporting**

X Yes  No

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**4. Closeout of Report Month Outlays**

**a. The State agency allows the food vendor (and farmer if any) the following number of days to submit food instruments and cash-value vouchers for payment (provide the number of days):**

**60** days from the participant's first valid date

**b. The State agency is generally able to close out a report month completely within:**

- 90 days  
X 120 days  
 other (specify number of days):

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**5. Indicate the method used to reimburse vendors (and farmers if any) for redeemed food instruments and cash-value vouchers or other services and specify the entity responsible for making payment:**

| State WIC                | State FM                 | Other (Specify)                                     |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | by check directly to vendor or farmer               |
| <input type="checkbox"/> | <input type="checkbox"/> | by check directly to vendor's or farmer's bank      |
| X                        | X                        | by electronic transfer to vendor's or farmer's bank |
| <input type="checkbox"/> | <input type="checkbox"/> | other (specify):                                    |

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**VI. FOOD FUNDS MANAGEMENT**

**C. Participation Reporting**

**C. PARTICIPATION REPORTING**

**1. Participation Counting**

**a. The State agency counts an enrollee who received at least one food instrument/food package (or was a breastfed infant of a participating breastfeeding woman) as a participant during:**

- the calendar month
- the computer system cycle month
- other (specify):

**b. The State agency receives participation counts from:**

- the State agency computer system based on food instruments issued to participants (manual and automated food instruments) and number of breastfed infants of participating breastfeeding women
- counts reported from local agencies based on issuance records
- other (specify):

**c. If State funds are present, the State agency differentiates between Federal-supported and State-supported participants by:**

- N/A
- special code on food instrument
- special areas of State designated as State-supported areas
- pro rata allocation based on proportion of Federal to State funds spent
- other (specify):

**d. When local agencies are chronically late in furnishing food instrument and/or certification data needed for participation counts, the State agency:**

- N/A
- sends warnings
- applies financial sanctions
- requires manual reporting
- other (specify):

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**

**2. Participation by Priority**

**a. Priority level is a critical data field in the State agency's computer system.**

- Yes
- No

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**C. Participation Reporting**

- b. The State computer system automatically assigns priority level based on the enrollee's nutritional risk condition.**

X Yes  No

- c. The State agency's computer system revises the priority level determination when a participant changes category (e.g., infant becomes child and receives a child's food package).**

X Yes  No

- d. The State agency has an "unknown" priority category for VOC transfers where priority is unknown.**

Yes X  No

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (citation):**