



Department of Health
 2019-21 Second Supplemental Budget Session
 Maintenance Level - M2 - Serve Additional WIC Families

Agency Recommendation Summary

The Department of Health (DOH) requests additional local spending authority to cover unexpected additional infant formula rebates coming into the Women, Infants and Children (WIC) Nutrition Program. The additional rebate revenue will be used to provide 125,279 eligible participants per month with access to nutritious food. This will be in addition to the services already provided through existing federal grants and will promote positive impacts on pregnancy outcomes and children's health.

Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2020	2021	2019-21	2022	2023	2021-23
Operating Expenditures						
Fund 001 - 7	\$0	\$9,700	\$9,700	\$9,700	\$9,700	\$19,400
Total Expenditures	\$0	\$9,700	\$9,700	\$9,700	\$9,700	\$19,400
Revenue						
001 - 0597	\$0	\$9,700	\$9,700	\$9,700	\$9,700	\$19,400
Total Revenue	\$0	\$9,700	\$9,700	\$9,700	\$9,700	\$19,400

Decision Package Description

Problem

The WIC Nutrition Program is anticipated to generate more infant formula rebate revenue than previously assumed. However, DOH is unable to reinvest these rebates back into additional WIC services without additional local spending authority. This infant formula rebate revenue will be used to serve WIC-eligible families over what the federal WIC food grant can support. The infant formula rebate is used solely for the purchase of WIC foods for more families.

Background

The WIC program directly addresses food insecurity for the most vulnerable population across the state; low income women, infants and children. Overseen by the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS), state funding is based on a national formula and is received in two categories: Nutrition Services and Administration, and Food. USDA FNS requires state-run WIC programs to bid for manufacturer rebates on infant formula purchased by the program. This bid process eventually results in a contract with an infant formula manufacturer offering the highest rebate per can of their product(s). These rebates lower overall food benefit costs which then allows the program to support additional participants. In federal fiscal year 2017, the federal grant for food was \$98.9 million and infant formula rebates were \$25.3 million.

The WIC Nutrition Program is anticipated to generate more rebate revenue than originally assumed under the bid process. Original projections were based on a set of assumptions regarding product use mix and caseload assumptions. Currently, the utilization of the contract (rebated) brand is expected to be higher than originally assumed and thus, will result in greater rebates than projected.

DOH will not be able to use this additional revenue without an increase in local spending authority. If such authority is not received, the local funds will go unspent and approximately 125,279 WIC eligible clients per month will not be served.

In addition, USDA FNS requires WIC infant formula rebates to be reported to them each month as a reduction in federal expenditures. If the program does not spend the rebates, this will only reflect on the reports as unused federal funds, which the USDA FNS will take away from Washington State to allocate to other states that can use it. This not only would reduce the state's grant funding in the current year but it can also influence future grants; a state's past federal spending amount is used to determine that state's federal grant amount in future years. In other words, lower federal spending today means lower federal grants in the future. Given the current economic crisis and increasing demand for nutritional assistance, future grant reductions will be detrimental to women, infants and children across the state.

Assumptions and Calculations

Expansion or alteration of a current program or service:

In fiscal year 2015, revenue levels dropped significantly due to change in rebate methodology. In fiscal year 2020, rebate revenue is returning to fiscal year 2014 levels of around \$30 million a year or \$2.5 million a month.

Fiscal Year	2017	2018	2019	2020 (est)
Revenues	\$22.6 million	\$28.2 million	\$20.4 million	\$31.0 million

Detailed assumptions and calculations:

The WIC program provides eligible families with nutrition assessment, nutrition education, breastfeeding support, referral to health and social services, and highly-nutritious, supplemental foods needed during pregnancy and early childhood. In federal fiscal year 2019, 131,390 pregnant, breastfeeding and postpartum women, infants and children under five benefited from WIC. WIC infant formula rebates assure services to WIC eligible participants, in the form of nutritious foods. This request for additional spending authority impacts food to approximately 125,279 of participants. This is important because WIC participation is proven effective on pregnancy outcomes and avoiding costly medical care of infants and children.

Revenue:

Rebates are a projection based on the number of families currently being served and expected to be served in future years plus estimated use of the products for which a rebate is generated. A per-can rebate is generated for each can of infant formula the WIC program purchases. Infant formula that qualifies for a rebate is stated in the contract by brand, type, and size.

Additional information is available in the supporting document titled, "2021 Suppl ML-M2 Serve Addl Families in WIC - FnCal".

Workforce Assumptions:

Not applicable

Strategic and Performance Outcomes

Strategic framework:

This request links to the Priorities of Government statewide result number 4: Healthy and Safe Communities.

- 1.1 Decrease the infant mortality rate for children under 1 year old to 4.4. per 1,000 births by 2020.

In addition, prenatal WIC participation is associated with significant improvements in African-American infant mortality rate.

Performance outcomes:

The June 12, 2007 edition of the Maternal and Child Health Journal published the results of the Washington state study entitled, "Effect of the Washington Special Supplemental Nutrition Program for Women, Infants and Children (WIC) on Pregnancy Outcomes." This study, as well as many national studies, has proven the effectiveness of WIC at improving birth outcomes and significantly reducing costly medical care. WIC program services to eligible families are closely aligned with the department's Strategic Plan:

- Goal 1: Improve health outcomes for the people of Washington state.
 - Objective 1: Increase our focus on chronic disease and injury prevention.
 - Strategy 1: Increase access to healthy foods and opportunities for physical activity.

Participation in the WIC program is aligned with the Governor's Results Washington goal for Healthy and Safe Communities. In particular, it supports the specific outcome to increase the economic security of Washingtonians.

Other Collateral Connections

Puget Sound recovery:

Not applicable

Legal or administrative mandates:

Not applicable

Intergovernmental:

The Washington WIC program works with tribal, regional and county entities as sub-recipients to serve approximately 125,279 participants monthly.

Stakeholder response:

WIC participants are able to use their benefits to purchase food at 679 vendors across the state. Therefore, WIC not only supports participants but also the business community. DOH anticipates neutrality or support from the business community.

Changes from current law:

Not applicable

State facilities impacts:

Not applicable

State workforce impacts:

Not applicable

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2020	2021	2019-21	2022	2023	2021-23
Obj. N	\$0	\$9,700	\$9,700	\$9,700	\$9,700	\$19,400

Agency Contact Information

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