



Highlights of [GAO-06-380](#), a report to congressional requesters

FOOD ASSISTANCE

FNS Could Take Additional Steps to Contain WIC Infant Formula Costs

Why GAO Did This Study

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) provides food, nutrition education, and health care referrals to close to 8 million low-income pregnant and postpartum women, infants, and young children each year. About a quarter of these participants are served using rebate savings from contracts with infant formula manufacturers. WIC is administered by the Department of Agriculture's Food and Nutrition Service (FNS). To better understand infant formula cost containment, this report provides information on: (1) factors that influence program spending on infant formula, (2) how the level of savings resulting from infant formula cost containment has changed and the implications of these changes for the number of participants served; and (3) steps federal and state agencies have taken to contain state spending on infant formula.

What GAO Recommends

GAO recommends that the Secretary of Agriculture consider providing guidance to help prevent infant formula costs from rising when manufacturers introduce more costly formulas during a contract, and that the Secretary consider ways to more effectively restrict use of non-rebated formulas by WIC participants.

www.gao.gov/cgi-bin/getrpt?GAO-06-380.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cindy Fagnoni at (202) 512-7215 or fagnonic@gao.gov.

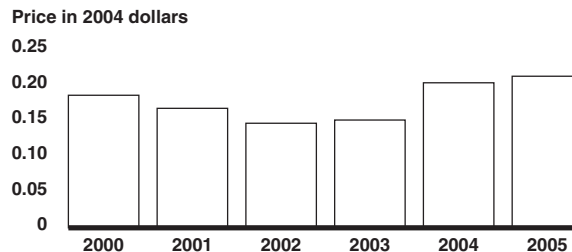
What GAO Found

Rebates drive state spending on infant formula but use of non-rebated formula increases state costs. In fiscal year 2004, states paid an average of \$0.20 per can for milk-based concentrate formula, a savings of 93 percent off the wholesale price. However, states also allow some use of non-rebated formula that can cost states more than 10 times as much as contract formulas. For example, in 2004, 8 percent of infant formula provided to WIC participants was non-rebated.

Rebate savings from infant formula cost-containment contracts have allowed WIC to serve an additional 2 million participants per year, but recent increases in the cost per can of formula could lead to reductions in the number of participants served with rebates. Rebate savings have remained near \$1.6 billion per year since 1997 after adjusting for inflation, but the amount states pay per can of infant formula has increased since 2002. We estimated that in 2004, if the cost per can of formula increased in every state by as much as it did in two states, approximately 400,000 fewer participants would have been able to enroll in WIC nationwide.

State and federal agencies have both taken steps to contain WIC infant formula costs, but FNS also focuses on sustaining the cost-containment system. States have sought to increase their costs savings through their infant formula contracts—for example, by joining coalitions to leverage greater discounts. Some also try to restrict the use of the more expensive non-contract formulas. FNS, in turn, helps states to contain costs through its review of contracts and through policy and guidance. For example, FNS reduced—but did not eliminate—the price increases that can result from the introduction of new, more costly formulas. FNS has also used its oversight authority to ensure that all interested manufacturers can compete for state infant formula contracts in an effort to maintain the long-run sustainability of the infant formula cost-containment system.

National average net price per can of milk-based concentrate, 2000-2005



Source: GAO.