

## 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 related to the implementation of 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); (14)*:** describe the State agency's funding sources and how food obligations are calculated to allow for inflation, rebate cash management and monthly closeout monitoring activities.

**C. *Participation Reporting - 246.4(a)(11)*:** 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**

**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)
- to issue an infant formula bid solicitation that evaluates bids by highest rebate. 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**

and/or Procedure Manual cite:

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

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

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> 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
- rebate retail food delivery system
- other (specify):

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c. The duration of the contract or rebate agreement(s) in effect is:

**For a single-supplier system: Date contract/agreement:**

Manufacturer	Began	Expires	Extensions
Mead Johnson	10/01/02	9/30/05	up to 2 one year extensions

**For a multi-supplier system: Date contract/agreement:**

Manufacturer	Began	Expires	Extensions

d. The rebates and net price per can paid are:

Product	Manufacturer	Rebate/Unit	Net price/Unit	% Discount
<b>Liquid Concentrate</b>	<b>All are Mead Johnson</b>			
Milk-Based				
<b>Enfamil 13 oz</b>		<b>3.2307</b>	<b>0.1093</b>	<b>96.7275</b>
<b>Enfamil Lipil 13 oz</b>		<b>3.4479</b>	<b>0.1221</b>	<b>96.5798</b>
<b>Enfamil Low Iron 13 oz</b>		<b>2.9707</b>	<b>0.1093</b>	<b>96.4513</b>
<b>Lactofree 13 oz</b>		<b>3.0672</b>	<b>0.1128</b>	<b>96.4528</b>
<b>Lactofree Lipil 13 oz</b>		<b>3.4879</b>	<b>0.1221</b>	<b>96.6177</b>
Soy-based				
Prosobee 13 oz		<b>3.3757</b>	<b>0.1143</b>	<b>96.7249</b>
Prosobee Lipil 13 oz		<b>3.4879</b>	<b>0.1221</b>	<b>96.6177</b>
Other				
<b>Powder (specify unit size)</b>				
Milk-based				
Enfamil AR 14.3 oz.		<b>9.8994</b>	<b>0.4906</b>	<b>95.2782</b>
Enfamil AR Lipil 12.9 oz		<b>10.7379</b>	<b>0.5321</b>	<b>95.2786</b>
Enfamil Lipil 12.9 oz.		<b>10.6339</b>	<b>0.5061</b>	<b>95.4569</b>
Enfamil Low Iron 14.3 oz.		<b>10.0900</b>	<b>0.5000</b>	<b>95.2786</b>
Enfamil Low Iron Lipil 12 oz		<b>10.6339</b>	<b>0.5061</b>	<b>95.4569</b>
Enfamil Next Step 12 oz		<b>5.7834</b>	<b>0.2866</b>	<b>95.2784</b>
Next Step Lipil 12 oz		<b>8.8037</b>	<b>0.4363</b>	<b>95.2781</b>
Enfamil 14.3 oz		<b>10.8700</b>	<b>0.5000</b>	<b>95.6025</b>
Lactofree 14.3 oz		<b>10.4235</b>	<b>0.5165</b>	<b>95.2788</b>
Lactofree Lipil 12.9 oz		<b>10.7439</b>	<b>0.5061</b>	<b>95.5013</b>

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**A. Cost Containment Measures**

Soy-based				
Prosobee 14.3 oz.		<b>11.3246</b>	<b>0.5354</b>	<b>95.4857</b>
Prosobee Lipil 12.9 oz		<b>10.7439</b>	<b>0.5061</b>	<b>95.5013</b>
Enfamil Next Step Soy 12 oz.		<b>6.6123</b>	<b>0.3277</b>	<b>95.2781</b>
Next Step Prosobee Lipil 12 oz		<b>8.8037</b>	<b>0.4363</b>	<b>95.2781</b>
Other				
<b>Ready to Feed (specify unit size)</b>				
Milk-based				
Enfamil AR 32 oz.		<b>4.2618</b>	<b>0.1982</b>	<b>95.5561</b>
Enfamil AR Lipil 32 oz		<b>4.8351</b>	<b>0.2249</b>	<b>95.5553</b>
Enfamil Lipil 32 oz.		<b>5.0251</b>	<b>0.2249</b>	<b>95.7162</b>
Enfamil Low Iron 32 oz.		<b>4.3000</b>	<b>0.2000</b>	<b>95.5556</b>
Enfamil Low Iron Lipil 32 oz		<b>5.0251</b>	<b>0.2249</b>	<b>95.7162</b>
Enfamil 32 oz.		<b>4.6800</b>	<b>0.2000</b>	<b>95.9016</b>
Lactofree 32 oz.		<b>4.2522</b>	<b>0.1978</b>	<b>95.5550</b>
Lactofree Lipil 32 oz		<b>5.0851</b>	<b>0.2249</b>	<b>95.7646</b>
Soy-based				
Prosobee 32 oz		<b>4.5771</b>	<b>0.2129</b>	<b>95.5553</b>
Prosobee Lipil 32 oz		<b>5.0851</b>	<b>0.2249</b>	<b>95.7646</b>
Other				
<b>Exempt Formula (specify):</b>				

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

<u>Type</u>	<u>Percent of Infants</u>
Milk-based liquid concentrate	15
Soy-based liquid concentrate	2
Milk-based powdered	66
Soy-base powdered	7

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### A. Cost Containment Measures

Milk-base ready-to-feed	less than 1/10 of 1 percent
Soy base ready-to-feed	less than 1/10 of 1 percent
Other infant formula (non-exempt includes milk-based lactose-free)	7
Exempt infant formula	3

### ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):

#### 3. The State agency's infant formula rebate 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 equals same percentage discount as the corresponding physical form (i.e., liquid concentrate) on wholesale cost as the rebate for which bids were received.
- Requires manufacturer to adjust for price changes subsequent to the bid opening. Inflation provision requires either a cent-for-cent increase 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).
- 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.
- Requires contractor(s) to provide monthly or more frequent billing than quarterly billing.
- 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.
- 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

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**A. Cost Containment Measures**

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.
- 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.

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

**4. Cost Containment for Other Foods**

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

- Yes (specify foods and attach contract in Appendix): Infant Cereal
- 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.**

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

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

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### 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>Infant cereal</b>	<b>Gerber - contract</b>	<b>8 &amp; 16 oz</b>		
<b>Infant juice</b>				
<b>Whole fresh fluid milk</b>	<b>Traditional Least Expensive Brand (TLEB)</b>	<b>½ or 1 gallon</b>		
<b>Lowfat fresh fluid milk</b>	<b>TLEB</b>	<b>½ or 1 gallon</b>		
<b>Skim fresh fluid milk</b>	<b>TLEB</b>	<b>½ or 1 gallon</b>		
<b>Cultured buttermilk</b>	<b>TLEB</b>	<b>1/2 gallon</b>		
<b>Whole dry milk</b>				
<b>Lowfat dry milk</b>				
<b>Nonfat dry milk</b>	<b>TLEB</b>	<b>9.6, 25.6, and 64 oz. Boxes</b>		
<b>Other milks (e.g., UHT, Lactaid) (specify): Lactose free</b>	<b>TLEB</b>	<b>½ gallon</b>		
<b>Cheese</b>	<b>Any brand</b>	<b>1 and 2 lb</b>	<b>American, Cheddar, Colby, Colby-Jack, Longhorn, Monterey Jack, Mozzarella</b>	<b>No individually wrapped, no cheese from deli</b>
<b>Fresh eggs</b>	<b>Any brand</b>	<b>Dozen</b>	<b>A or AALarge, medium, or</b>	

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### A. Cost Containment Measures

			<b>smallNo fertile, brown or free range</b>	
<b>Dried egg mix</b>				
<b>Hot cereal</b>	<b>Specific brands</b>	<b>Specific package sizes</b>		
<b>Cold cereal</b>	<b>Specific brands</b>	<b>Specific package sizes</b>		
<b>Single strength fruit/vegetable juice</b>	<b>TLEB</b>	<b>46 oz. can</b>		
<b>Frozen concentrated fruit/vegetable juice</b>	<b>TLEB</b>	<b>11.5 and 12. oz.</b>		
<b>Peanut butter</b>	<b>Any brand</b>	<b>18 oz</b>	<b>Without jelly, honey, candy;No reduced fat or peanut spread</b>	
<b>Dry beans/peas</b>	<b>Any brand</b>	<b>1 lb.</b>	<b>No seasoned or in bulk</b>	
<b>Tuna</b>	<b>Any brand</b>	<b>6 oz. cans</b>	<b>Chunklite packed in water; no albacore solid white</b>	<b>3 pack - 3 oz. tuna for homeless</b>
<b>Carrots</b>	<b>Any brand</b>	<b>1 or 2 lbs fresh; or 14- 16 oz cans</b>	<b>No baby or with tops</b>	



**VI. FOOD FUNDS MANAGEMENT**  
**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 which have been debarred or suspended.**

Yes  No

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

**2. Food Cost Obligations**

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

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 average value per food instrument type  
 other (specify):

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

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

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

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

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

<u>Frequency</u>	<u>Data</u>
monthly	food instruments paid for issue month

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**B. Funds Monitoring/798 Reporting**

monthly	food instruments outstanding for issue month
when needed	food instruments that have expired
when needed	food instruments that are void/unclaimed

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

**3. Rebate Cash Management**

**a. The State agency bases invoices to infant formula manufacturers for rebates on an estimate of the actual units purchased?**

\_\_\_\_\_ Yes      \_\_\_\_\_ No

**b. The State agency reduces the invoice to allow for an "error rate" for infants not receiving all formula prescribed or for accidental redemption of noncontract formula**

Yes, the error rate is NOTE: the answer to 3 a above is YES. The form would not allow an entry so we are noting the answer here.

No

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

**c. The State agency uses a food instrument which 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

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

the WIC unit       the State agency fiscal unit

other (specify): Program Services & Operations Branch of the Nutrition Services Section

**e. Invoices are submitted with backup data.**

Yes       No

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

**VI. FOOD FUNDS MANAGEMENT**

**B. Funds Monitoring/798 Reporting**

**4. Closeout of Report Month Outlays**

**a. The State agency allows the food vendor the following number of days to submit food instruments for payment (provide the number of days):**

**59** 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
- 120 days
- other (specify number of days): **150**

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

**5. Indicate the method used to reimburse vendors for redeemed food instruments or other services and specify the entity responsible for making payment:**

<b>State WIC</b>	<b>State FM</b>	<b>Other (Specify)</b>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	by check directly to vendor
<input type="checkbox"/>	<input type="checkbox"/>	by check directly to vendors' bank
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	by electronic transfer to vendors' bank
<input type="checkbox"/>	<input type="checkbox"/>	other (specify):

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

**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:**

- 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:**

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

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

**2. Participation by Priority**

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

- Yes                       No

**VI. FOOD FUNDS MANAGEMENT**

**C. Participation Reporting**

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

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).**

Yes  No

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

Yes  No

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